

ANNUAL FINANCIAL REPORT
HARDEMAN COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2006

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

ANNUAL FINANCIAL REPORT
HARDEMAN COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2006

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

HARDEMAN COUNTY, TENNESSEE

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Audit Highlights
Annual Financial Report
Hardeman County, Tennessee
For the Year Ended June 30, 2006

Scope

We have audited the financial statements of Hardeman County as of and for the year ended June 30, 2006.

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICE OF COUNTY MAYOR

- ◆ A cash shortage of \$21,731.29 existed in the Solid Waste Disposal Fund.
- ◆ A vendor's invoice was reproduced on the Solid Waste Department's computer.
- ◆ The county paid for services not included in the solid waste disposal contracts.
- ◆ The office had deficiencies in processing vendor payments.
- ◆ The Solid Waste Disposal Fund had a deficit in unrestricted net assets of \$1,560,854. This deficit primarily resulted from the recognition of a liability (\$2,265,041) for costs associated with closing the county's landfill and monitoring the landfill for 30 years after closure.
- ◆ The office did not solicit competitive bids for some applicable purchases.
- ◆ Purchase orders were not issued for some applicable purchases under \$5,000.

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ The office did not issue purchase orders for some applicable purchases under \$10,000.
- ◆ Payroll taxes were not properly deposited on a timely basis.

OTHER FINDING

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

INTRODUCTORY SECTION

Hardeman County Officials

June 30, 2006

Officials

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

Board of County Commissioners

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

Board of Highway Supervisors

Kenny Pulse, Chairman
Russell DeBerry
Mike Mitchell

Board of Education

Tommy Sain, Chairman	Jerry McCord
Stephen Allen	Ken Moore
Gregory Barnes	Thomas Polk
Misty Crowley	Larry Williams
Terry King	

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
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INDEPENDENT AUDITOR'S REPORT

October 31, 2006

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardeman County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise Hardeman County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hardeman County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented Hardeman County Emergency Communications District (which represent 1.1 percent and 0.69 percent, respectively, of the assets and revenues of the aggregate discretely presented component units). These financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hardeman County Emergency Communications District, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardeman County, Tennessee, as of June 30, 2006, 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 October 31, 2006, on our consideration of Hardeman County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management of Hardeman 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 67 through 71 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hardeman County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Hardeman County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Hardeman County School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Hardeman County, Tennessee
Statement of Net Assets
June 30, 2006

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	Hardeman County School Department	Emergency Communica- tions District
<u>ASSETS</u>					
Cash	\$ 125,034	\$ 200	\$ 125,234	\$ 0	\$ 137,572
Equity in Pooled Cash and Investments	3,654,296	713,291	4,367,587	4,058,579	0
Investments	0	0	0	0	49,083
Accounts Receivable	7,508	1,425	8,933	12,538	18,444
Due from Other Governments	613,623	0	613,623	1,048,122	0
Property Taxes Receivable	3,108,003	0	3,108,003	4,811,429	0
Allowance for Uncollectible Property Taxes	(120,026)	0	(120,026)	(185,808)	0
Prepaid Items	0	0	0	0	976
Accrued Interest Receivable	10,434	0	10,434	0	0
Cash Shortage	0	20,481	20,481	0	0
Deferred Charges - Debt Issuance Cost	54,411	0	54,411	0	0
Capital Assets:					
Assets Not Depreciated:					
Land	1,391,382	219,838	1,611,220	290,500	0
Assets Net of Accumulated Depreciation:					
Buildings and Improvements	1,910,102	1,329,271	3,239,373	14,988,420	50,855
Infrastructure	10,764,830	0	10,764,830	0	0
Other Capital Assets	1,155,195	191,088	1,346,283	1,907,363	42,134
Total Assets	<u>\$ 22,674,792</u>	<u>\$ 2,475,594</u>	<u>\$ 25,150,386</u>	<u>\$ 26,931,143</u>	<u>\$ 299,064</u>

(Continued)

Exhibit A

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

	<u>Primary Government</u>			<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Hardeman County School Department</u>	<u>Emergency Communications District</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 38,778	\$ 25,395	\$ 64,173	\$ 134,708	\$ 1,907
Payroll Deductions Payable	0	51	51	0	2,575
Contracts Payable	239,604	0	239,604	0	0
Due to State of Tennessee	11,829	0	11,829	0	0
Accrued Interest Payable	135,626	0	135,626	0	0
Deferred Revenue - Current Property Taxes	2,837,095	0	2,837,095	4,392,044	0
Noncurrent Liabilities:					
Due Within One Year	540,026	269,288	809,314	31,426	0
Due in More Than One Year	6,758,330	2,988,517	9,746,847	22,699	0
Total Liabilities	\$ 10,561,288	\$ 3,283,251	\$ 13,844,539	\$ 4,580,877	\$ 4,482
<u>NET ASSETS</u>					
Invested in Capital Assets, Net of Related Debt	\$ 14,609,773	\$ 753,197	\$ 15,362,970	\$ 0	\$ 0
Invested in Capital Assets	0	0	0	17,186,283	92,989
Restricted for:					
Highway	1,574,726	0	1,574,726	0	0
Debt Service	1,114,166	0	1,114,166	0	0
School Federal Projects	0	0	0	238,875	0
Other Purposes	300,409	0	300,409	63,995	0
Unrestricted	(5,485,570)	(1,560,854)	(7,046,424)	4,861,113	201,593
Total Net Assets	\$ 12,113,504	\$ (807,657)	\$ 11,305,847	\$ 22,350,266	\$ 294,582

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

Exhibit B

Hardeman County, Tennessee
Statement of Activities
For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Hardeman County School Department	Emergency Communica- tions District	
					Total Governmental Activities	Business- type Activities			Total
Primary Government:									
Governmental Activities:									
General Government	\$ 1,014,488	\$ 454,377	\$ 213,207	\$ 0	\$ (346,904)	\$ 0	\$ (346,904)	\$ 0	\$ 0
Finance	742,634	256,301	12,580	0	(473,753)	0	(473,753)	0	0
Administration of Justice	695,428	730,695	11,256	0	46,523	0	46,523	0	0
Public Safety	2,218,499	229,743	31,679	162,453	(1,794,624)	0	(1,794,624)	0	0
Public Health and Welfare	2,501,005	1,256,952	222,612	37,632	(983,809)	0	(983,809)	0	0
Social, Cultural, and Recreational Services	106,599	2,357	11,330	0	(92,912)	0	(92,912)	0	0
Agriculture & Natural Resources	119,320	0	0	0	(119,320)	0	(119,320)	0	0
Other Operations	419,473	0	0	0	(419,473)	0	(419,473)	0	0
Highways/Public Works	3,434,792	0	1,961,827	4,465,994	2,993,029	0	2,993,029	0	0
Interest on Long-term Debt	309,873	0	0	0	(309,873)	0	(309,873)	0	0
Other Debt Service	12,082	0	718,345	0	706,263	0	706,263	0	0
Total Governmental Activities	\$ 11,574,193	\$ 2,930,425	\$ 3,182,836	\$ 4,666,079	\$ (794,853)	\$ 0	\$ (794,853)	\$ 0	\$ 0
Business-type Activities:									
Solid Waste Disposal	\$ 1,070,454	\$ 985,078	\$ 13,024	\$ 0	\$ 0	\$ (72,352)	\$ (72,352)	\$ 0	\$ 0
Total Primary Government	\$ 12,644,647	\$ 3,915,503	\$ 3,195,860	\$ 4,666,079	\$ (794,853)	\$ (72,352)	\$ (867,205)	\$ 0	\$ 0
Component Units:									
Hardeman County									
School Department	\$ 32,064,120	\$ 54,464	\$ 3,816,668	\$ 0	\$ 0	\$ 0	\$ 0	\$ (28,192,988)	\$ 0
Emergency Communications District	228,970	173,440	0	0	0	0	0	0	(55,530)
Total Component Units	\$ 32,293,090	\$ 227,904	\$ 3,816,668	\$ 0	\$ 0	\$ 0	\$ 0	\$ (28,192,988)	\$ (55,530)

(Continued)

Exhibit B

Hardeman County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets					
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit		
					Total Governmental Activities	Business- type Activities	Total	Hardeman County School Department	Emergency Communica- tions District	
General Revenues:										
Taxes:										
Property taxes levied for general purposes					\$ 2,907,777	\$ 0	\$ 2,907,777	\$ 4,584,207	\$ 0	
Property taxes levied for debt service					36,160	0	36,160	0	0	
Local option sales tax					242,136	0	242,136	2,401,743	0	
Other local taxes					1,238,324	0	1,238,324	5,266	0	
Grants & contributions not restricted for specific programs					871,751	0	871,751	20,305,042	40,000	
Unrestricted investment earnings					362,411	16,496	378,907	71	3,005	
Miscellaneous					42,346	0	42,346	69,049	0	
Total General Revenues					\$ 5,700,905	\$ 16,496	\$ 5,717,401	\$ 27,365,378	\$ 43,005	
Change in Net Assets					\$ 4,906,052	\$ (55,856)	\$ 4,850,196	\$ (827,610)	\$ (12,525)	
Net Assets, July 1, 2005					7,206,852	(753,776)	6,453,076	23,177,876	307,107	
Prior period adjustment					600	1,975	2,575	0	0	
Net Assets, June 30, 2006					\$ 12,113,504	\$ (807,657)	\$ 11,305,847	\$ 22,350,266	\$ 294,582	

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

Exhibit C-1

Hardeman County, Tennessee
 Balance Sheet
 Governmental Funds
 June 30, 2006

	Major Funds			Nonmajor Funds	Total Govern- mental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 125,034	\$ 125,034
Equity in Pooled Cash and Investments	1,247,763	1,354,518	964,257	87,758	3,654,296
Accounts Receivable	2,267	0	8	5,233	7,508
Due from Other Governments	108,546	505,077	0	0	613,623
Due from Other Funds	23	0	0	0	23
Property Taxes Receivable	3,078,119	0	29,884	0	3,108,003
Allowance for Uncollectible Property Taxes	(118,872)	0	(1,154)	0	(120,026)
Accrued Interest Receivable	10,434	0	0	0	10,434
Total Assets	\$ 4,328,280	\$ 1,859,595	\$ 992,995	\$ 218,025	\$ 7,398,895
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 32,882	\$ 5,896	\$ 0	\$ 0	\$ 38,778
Contracts Payable	0	239,604	0	0	239,604
Due to Other Funds	0	0	0	23	23
Due to State of Tennessee	11,829	0	0	0	11,829
Deferred Revenue - Current Property Taxes	2,809,816	0	27,279	0	2,837,095
Deferred Revenue - Delinquent Property Taxes	134,794	0	1,301	0	136,095
Other Deferred Revenues	36,220	340,661	0	0	376,881
Total Liabilities	\$ 3,025,541	\$ 586,161	\$ 28,580	\$ 23	\$ 3,640,305
<u>Fund Balances</u>					
Reserved for Alcohol and Drug Treatment	\$ 77,165	\$ 0	\$ 0	\$ 0	\$ 77,165
Reserved for Courthouse and Jail Maintenance	61,885	0	0	0	61,885
Reserved for Computer System - Register	33,478	0	0	0	33,478
Reserved for Automation Purposes - Circuit Court	312	0	0	0	312
Reserved for Automation Purposes - General Sessions	26,700	0	0	0	26,700
Reserved for Automation Purposes - Juvenile Court	2,004	0	0	0	2,004
Reserved for Automation Purposes - Chancery Court	2,439	0	0	0	2,439
Reserved for Automation Purposes - Sheriff	3,508	0	0	0	3,508
Reserved for Other General Purposes	127	0	0	0	127
Unreserved, Reported In:					
General Fund	1,095,121	0	0	0	1,095,121
Special Revenue Funds	0	1,273,434	0	217,309	1,490,743
Debt Service Funds	0	0	964,415	0	964,415
Capital Projects Funds	0	0	0	693	693
Total Fund Balances	\$ 1,302,739	\$ 1,273,434	\$ 964,415	\$ 218,002	\$ 3,758,590
Total Liabilities and Fund Balances	\$ 4,328,280	\$ 1,859,595	\$ 992,995	\$ 218,025	\$ 7,398,895

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

Exhibit C-2

Hardeman County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2006

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	3,758,590
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,391,382	
Add: buildings and improvements net of accumulated depreciation		1,910,102	
Add: infrastructure net of accumulated depreciation		10,764,830	
Add: other capital assets net of accumulated depreciation		<u>1,155,195</u>	15,221,509
(2) Long-term liabilities are not due in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(338,436)	
Less: capital leases payable		(193,300)	
Less: bonds payable		(6,950,000)	
Add: deferred amount on refunding		284,076	
Add: deferred charges - debt issuance costs		54,411	
Less: compensated absences payable		(100,696)	
Less: accrued interest on bonds, notes, capital leases		<u>(135,626)</u>	(7,379,571)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			
			<u>512,976</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>12,113,504</u></u>

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

Exhibit C-3

Hardeman County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 4,077,673	\$ 668,322	\$ 47,531	\$ 0	\$ 4,793,526
Licenses and Permits	22,146	0	0	0	22,146
Fines, Forfeitures, and Penalties	159,171	0	0	37,518	196,689
Charges for Current Services	1,299,301	0	0	493,685	1,792,986
Other Local Revenues	403,454	18,584	0	491	422,529
Fees Received from County Officials	739,678	0	0	0	739,678
State of Tennessee	914,689	2,168,510	0	38,521	3,121,720
Federal Government	367,822	0	0	52,280	420,102
Other Governments and Citizens Groups	3,890	0	718,345	0	722,235
Total Revenues	<u>\$ 7,987,824</u>	<u>\$ 2,855,416</u>	<u>\$ 765,876</u>	<u>\$ 622,495</u>	<u>\$ 12,231,611</u>
<u>Expenditures</u>					
Current:					
General Government	\$ 763,401	\$ 0	\$ 0	\$ 110,220	\$ 873,621
Finance	287,767	0	0	275,075	562,842
Administration of Justice	382,838	0	0	96,924	479,762
Public Safety	1,867,232	0	0	24,986	1,892,218
Public Health and Welfare	2,009,723	0	0	0	2,009,723
Social, Cultural, and Recreational Services	88,106	0	0	0	88,106
Agricultural and Natural Resources	111,954	0	0	0	111,954
Other Operations	1,741,202	0	0	52,280	1,793,482
Highways	0	3,111,684	0	0	3,111,684
Debt Service:					
Principal on Debt	0	0	449,786	0	449,786
Interest on Debt	0	0	304,990	0	304,990
Other Debt Service	0	0	58,089	0	58,089
Capital Projects	0	0	0	77,627	77,627
Total Expenditures	<u>\$ 7,252,223</u>	<u>\$ 3,111,684</u>	<u>\$ 812,865</u>	<u>\$ 637,112</u>	<u>\$ 11,813,884</u>
Excess (Deficiency) of Revenues					
Over Expenditures	\$ 735,601	\$ (256,268)	\$ (46,989)	\$ (14,617)	\$ 417,727
<u>Other Financing Sources (Uses)</u>					
Capital Leases Issued	\$ 0	\$ 193,300	\$ 0	\$ 0	\$ 193,300
Refunding Debt Issued	0	0	6,370,000	0	6,370,000
Transfers In	17,821	0	26,186	0	44,007
Transfers Out	(26,186)	0	0	(17,821)	(44,007)
Payments to Refunded Debt Escrow Agent	0	0	(6,312,480)	0	(6,312,480)
Total Other Financing Sources (Uses)	<u>\$ (8,365)</u>	<u>\$ 193,300</u>	<u>\$ 83,706</u>	<u>\$ (17,821)</u>	<u>\$ 250,820</u>
Net Change in Fund Balances	\$ 727,236	\$ (62,968)	\$ 36,717	\$ (32,438)	\$ 668,547
Fund Balance, July 1, 2005	574,903	1,336,402	927,698	250,440	3,089,443
Prior Period Adjustment	600	0	0	0	600
Fund Balance, June 30, 2006	<u>\$ 1,302,739</u>	<u>\$ 1,273,434</u>	<u>\$ 964,415</u>	<u>\$ 218,002</u>	<u>\$ 3,758,590</u>

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

Exhibit C-4

Hardeman 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, 2006

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ 668,547
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation in the current period is itemized as follows:		
Add: capital assets purchased in the current period	\$ 778,338	
Less: current year depreciation expense	<u>(1,072,771)</u>	(294,433)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, donations) is to increase net assets.		
Add: assets donated and capitalized		4,269,311
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2006	\$ 512,976	
Less: deferred delinquent property taxes and other deferred June 30, 2005	<u>(533,653)</u>	(20,677)
(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items.		
Less: capital lease proceeds	\$ (193,300)	
Less: refunding bond proceeds	(6,370,000)	
Add: payment to refunding agent	6,020,000	
Add: change in deferred debt issuance costs	54,411	
Add: principal payments on bonds	357,000	
Add: principal payments on notes	92,786	
Add: change in deferred amount on refunding debt	<u>284,076</u>	244,973
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Less: change in accrued interest payable	\$ (4,883)	
Add: change in compensated absences	<u>43,214</u>	38,331
Change in net assets of governmental activities (Exhibit B)		<u>\$ 4,906,052</u>

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

Exhibit D-1

Hardeman County, Tennessee
Statement of Net Assets
Proprietary Funds
June 30, 2006

	<u>Major Fund</u> <u>Enterprise</u> <u>Fund</u> <u>Solid Waste</u> <u>Disposal</u> <u>Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 200
Equity in Pooled Cash and Investments	713,291
Accounts Receivable	1,425
Cash Shortage	20,481
Total Current Assets	<u>\$ 735,397</u>
Noncurrent Assets:	
Capital Assets:	
Assets not Depreciated:	
Land	\$ 219,838
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	1,329,271
Machinery and Equipment	191,088
Total Noncurrent Assets	<u>\$ 1,740,197</u>
Total Assets	<u>\$ 2,475,594</u>
<u>LIABILITIES</u>	
Current Liabilities	
Accounts Payable	\$ 25,395
Payroll Deductions Payable	51
Accrued Liability for Landfill Closure/Postclosure Care Costs	35,000
Compensated Absences Payable	288
Capital Outlay Note Payable	234,000
Total Current Liabilities	<u>\$ 294,734</u>
Noncurrent Liabilities	
Accrued Liability for Landfill Closure/Postclosure Care Costs	\$ 2,230,041
Compensated Absences Payable	5,476
Capital Outlay Note Payable	753,000
Total Noncurrent Liabilities	<u>\$ 2,988,517</u>
Total Liabilities	<u>\$ 3,283,251</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 753,197
Net Assets - Unrestricted	<u>(1,560,854)</u>
Net Assets	<u>\$ (807,657)</u>

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

Exhibit D-2

Hardeman County, Tennessee
Statement of Revenues, Expenses, and
Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2006

	<u>Major Fund</u>
	<u>Enterprise</u>
	<u>Fund</u>
	<u>Solid Waste</u>
	<u>Disposal Fund</u>
<u>Operating Revenues</u>	
Solid Waste Disposal Fee	\$ 985,078
Total Operating Revenues	<u>\$ 985,078</u>
<u>Operating Expenses</u>	
County Official/Administrative Officer	\$ 25,626
Laborers	149,745
Clerical Personnel	22,769
Social Security	12,169
State Retirement	18,993
Employee and Dependent Insurance	40,145
Disability Insurance	5,693
Unemployment Compensation	1,138
Employer Medicare	2,846
Communication	7,661
Consultant	10,193
Contracts with Private Agencies	177,820
Maintenance & Repair Services - Buildings	6,523
Maintenance & Repair Services - Equipment	98,753
Maintenance & Repair Services - Vehicles	7,150
Postal Charges	3,676
Travel	739
Disposal Fees	14,484
Custodial Supplies	1,278
Data Processing Supplies	6,118
Food Supplies	3,090
Gasoline	31,968
Lubricants	5,094
Office Supplies	5,905
Uniforms	3,572
Utilities	81,300
Gravel and Chert	6,493
Other Supplies and Materials	21,580
Liability Insurance	4,800
Depreciation	125,622
Surcharge	23,682
Landfill Closure/Postclosure Care Costs	56,699
Compensated Absences	5,764
Other Charges	18,558
Solid Waste Equipment	18,934
Total Operating Expenses	<u>\$ 1,026,580</u>
Operating Income (Loss)	<u>\$ (41,502)</u>

(Continued)

Exhibit D-2

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

	<u>Major Fund</u> <u>Enterprise</u> <u>Fund</u> <u>Solid Waste</u> <u>Disposal Fund</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 16,496
Solid Waste Grants	13,024
Interest on Notes	(43,874)
Total Nonoperating Revenues (Expenses)	<u>\$ (14,354)</u>
Change in Net Assets	\$ (55,856)
Total Net Assets, July 1, 2005	(753,776)
Prior Period Adjustment	<u>1,975</u>
Total Net Assets, June 30, 2006	<u><u>\$ (807,657)</u></u>

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

Exhibit D-3

Hardeman County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2006

	<u>Major Fund</u> <u>Enterprise</u> <u>Fund</u> <u>Solid Waste</u> <u>Disposal Fund</u>
<u>Cash Flows From Operating Activities</u>	
Receipts from Customers and Users	\$ 984,249
Payments for Waste Disposal and Maintenance	(853,102)
Net Cash Provided (Used) by Operating Activities	<u>\$ 131,147</u>
<u>Cash Flows From Noncapital Financing Activities</u>	
Solid Waste Grants	\$ 13,024
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ 13,024</u>
<u>Cash Flows From Capital and Related Financing Activities</u>	
Acquisition of Capital Assets	\$ (8,950)
Principal Paid on Notes	(225,000)
Interest Paid on Notes	(43,874)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (277,824)</u>
<u>Cash Flows From Investing Activities</u>	
Investment Income	\$ 16,496
Net Cash Provided (Used) by Investing Activities	<u>\$ 16,496</u>
Net Increase (Decrease) in Cash	\$ (117,157)
Cash, July 1, 2005	<u>830,648</u>
Cash, June 30, 2006	<u><u>\$ 713,491</u></u>
<u>Reconciliation of Net Operating Income to Net Cash Provided By</u>	
<u>Operating Activities</u>	
Operating Income (Loss)	\$ (41,502)
Adjustment to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Depreciation	125,622
(Increase) in Accounts Receivable	(1,425)
(Increase) in Cash Shortage	(18,506)
Increase in Accounts Payable	25,395
Increase in Payroll Deductions Payable	51
Increase in Compensated Absences Payable	5,764
Increase in Accrued Liability for Landfill Closure/Postclosure Costs	<u>35,748</u>
Net Cash Provided By Operating Activities	<u><u>\$ 131,147</u></u>

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

Exhibit E

Hardeman County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2006

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 576,652
Due from Other Governments	<u>205,055</u>
Total Assets	<u>\$ 781,707</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 205,055
Due to Litigants, Heirs, and Others	<u>576,652</u>
Total Liabilities	<u>\$ 781,707</u>

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

HARDEMAN COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hardeman 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 Hardeman County:

A. Reporting Entity

Hardeman County is a public municipal corporation governed by an elected 16-member board. As required by GAAP, these financial statements present Hardeman County (the primary government) 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 Hardeman 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 Hardeman County School Department operates the public school system in the county, and the voters of Hardeman County elect its board. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

The Hardeman County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Hardeman County, and the Hardeman County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval.

The Hardeman County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the Hardeman County School Department are included in this report as

listed in the table of contents. Complete financial statements of the Hardeman County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

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

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the statement of activities. Governmental activities are normally supported by taxes and 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 Hardeman 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.

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

Separate financial statements are provided for governmental funds, proprietary funds (enterprise and internal service), and fiduciary funds. The internal service fund is reported with the governmental activities in the government-wide financial statements of the discretely presented Hardeman County School Department, and the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and individual major enterprise 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, except for agency funds which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of Hardeman County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Hardeman County 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. Hardeman County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the debt service funds for payments to be made early in the following year.

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

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

Hardeman County reports the following major governmental funds:

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

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

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

Hardeman County reports the following major enterprise fund:

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

Additionally, Hardeman County reports the following fund type:

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

They do, however, use the accrual basis of accounting to recognize receivables and payables.

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

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

Additionally, the Hardeman County School Department reports the following fund types:

Special Revenue Fund – The School Federal Projects Fund accounts for restricted federal revenues which must be expended on specific education programs.

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

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

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, an enterprise fund to account for the operations of the county's landfill. Operating revenues and expenses generally result from providing services in connection with the funds' principal ongoing operations.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

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

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

2. Receivables and Payables

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 2.07 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. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column and the business-type column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 (infrastructure \$10,000) 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 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	25
Machinery and Equipment	5-10
Other Capital Assets	5-10
Infrastructure:	
Roads	10-20
Bridges	5-20

4. Compensated Absences

It is Hardeman County's and the School Department's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since neither Hardeman County nor the School Department has a policy to pay any amounts when employees separate from service with the governments. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

5. Long-term Obligations

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 and landfill closure/postclosure care costs, are recognized to the extent that the liabilities have matured (come due for payment) each period.

6. Net Assets and Fund Equity

In the government-wide financial statements 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, 2006, Hardeman County had \$6,870,000 in outstanding debt for capital purposes for the discretely presented Hardeman County School Department. This debt is a liability of Hardeman County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Hardeman 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.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Hardeman County School Department

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

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

Primary Government

Exhibit C-4 includes explanations of the nature of individual elements of items required to reconcile the net changes in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

Discretely Presented Hardeman County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

B. Unrestricted Net Assets Deficit

The Solid Waste Disposal Fund had an unrestricted net assets deficit of \$1,560,854 at June 30, 2006. This deficit primarily resulted from the recognition of a liability (\$2,265,041) for costs associated with closing the county's landfill and monitoring the landfill for 30 years after closure.

C. Cash Shortage

The Solid Waste Disposal Fund had a cash shortage of \$20,481 as of June 30, 2006. Subsequent to June 30, 2006, an additional cash shortage of \$1,250 occurred increasing the total cash shortage to \$21,731. Details of this cash shortage are discussed in the Schedule of Findings and Questioned Costs section of this report.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Hardeman County and the Hardeman County School Department participate in an internal cash and investment pool through the Office of Trustee. The 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.

Investment Balances. As of June 30, 2006, Hardeman County had the following investments carried at cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Hardeman County and the discretely presented Hardeman County School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>
State Treasurer's Investment Pool	Daily	<u>\$ 4,916,363</u>

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. Hardeman County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer of other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Hardeman County has no investment policy that would further limit its investment choices. As of June 30, 2006, Hardeman County's investment in the State Treasurer's Investment Pool was unrated.

B. Capital Assets

Capital asset activity for the year ended June 30, 2006, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:				
Land	\$ 1,355,457	\$ 35,925	\$ 0	\$ 1,391,382
Construction in Progress	952,057	77,627	(1,029,684)	0
Total Capital Assets Not Depreciated	<u>\$ 2,307,514</u>	<u>\$ 113,552</u>	<u>\$ (1,029,684)</u>	<u>\$ 1,391,382</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 4,659,891	\$ 1,042,968	\$ 0	\$ 5,702,859
Infrastructure	7,280,235	4,565,402	0	11,845,637
Other Capital Assets	3,141,563	355,411	0	3,496,974
Total Capital Assets Depreciated	<u>\$ 15,081,689</u>	<u>\$ 5,963,781</u>	<u>\$ 0</u>	<u>\$ 21,045,470</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 3,650,379	\$ 142,378	\$ 0	\$ 3,792,757
Infrastructure	445,340	635,467	0	1,080,807
Other Capital Assets	2,046,853	294,926	0	2,341,779
Total Accumulated Depreciation	<u>\$ 6,142,572</u>	<u>\$ 1,072,771</u>	<u>\$ 0</u>	<u>\$ 7,215,343</u>

Governmental Activities (Cont.):

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Total Capital Assets				
Depreciated, Net	\$ 8,939,117	\$ 4,891,010	\$ 0	\$ 13,830,127
Governmental Activities				
Capital Assets, Net	\$ 11,246,631	\$ 5,004,562	\$ (1,029,684)	\$ 15,221,509

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

Governmental Activities:

General Government	\$ 3,932
Finance	6,261
Administration of Justice	6,343
Public Safety	77,098
Public Health and Welfare	99,031
Social, Cultural, and Recreational Services	9,551
Other Operations	43,455
Highways/Public Works	<u>827,100</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,072,771</u>

Business-type Activities:

	Balance 7-1-05	Increases	Balance 6-30-06
Capital Assets Not Depreciated:			
Land	\$ 219,838	\$ 0	\$ 219,838
Total Capital Assets Not Depreciated	<u>\$ 219,838</u>	<u>\$ 0</u>	<u>\$ 219,838</u>
Capital Assets Depreciated:			
Buildings & Improvements	\$ 1,493,606	\$ 0	\$ 1,493,606
Machinery & Equipment	277,358	8,950	286,308
Total Capital Assets Depreciated	<u>\$ 1,770,964</u>	<u>\$ 8,950</u>	<u>\$ 1,779,914</u>

Business-type Activities (Cont.):

	Balance 7-1-05	Increases	Balance 6-30-06
Less Accumulated Depreciation For:			
Buildings & Improvements	\$ 88,178	\$ 76,157	\$ 164,335
Machinery & Equipment	45,755	49,465	95,220
 Total Accumulated Depreciation	 \$ 133,933	 \$ 125,622	 \$ 259,555
 Total Capital Assets Depreciated, Net	 \$ 1,637,031	 \$ (116,672)	 \$ 1,520,359
 Business-type Activities Capital Assets, Net	 \$ 1,856,869	 \$ (116,672)	 \$ 1,740,197

Discretely Presented Hardeman County School Department**Governmental Activities:**

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:				
Land	\$ 290,500	\$ 0	\$ 0	\$ 290,500
Construction in Progress	1,845,659	2,074,182	(3,919,841)	0
Total Capital Assets Not Depreciated	\$ 2,136,159	\$ 2,074,182	\$ (3,919,841)	\$ 290,500
 Capital Assets Depreciated:				
Buildings and Improvements	\$ 23,161,574	\$ 3,919,841	\$ 0	\$ 27,081,415
Infrastructure	0	0	0	0
Other Capital Assets	5,043,454	465,618	(96,737)	5,412,335
Total Capital Assets Depreciated	\$ 28,205,028	\$ 4,385,459	\$ (96,737)	\$ 32,493,750

Governmental Activities (Cont.):

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 11,432,697	\$ 660,298	\$ 0	\$ 12,092,995
Infrastructure	0	0	0	0
Other Capital Assets	3,118,609	483,100	(96,737)	3,504,972
Total Accumulated Depreciation	<u>\$ 14,551,306</u>	<u>\$ 1,143,398</u>	<u>\$ (96,737)</u>	<u>\$ 15,597,967</u>
Total Capital Assets Depreciated, Net	<u>\$ 13,653,722</u>	<u>\$ 3,242,061</u>	<u>\$ 0</u>	<u>\$ 16,895,783</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,789,881</u>	<u>\$ 5,316,243</u>	<u>\$ (3,919,841)</u>	<u>\$ 17,186,283</u>

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

Governmental Activities:

Instruction	\$ 717,087
Support Services	337,386
Operation of Non-Instructional Services	<u>88,925</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,143,398</u>

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2006, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 23
Discretely Presented School Department:		
General Purpose School	Nonmajor governmental	55,273

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.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2006, consisted of the following amounts:

Primary Government:

Transfers Out	Transfers In	
	General Debt Service Fund	General Fund
General Fund	\$ 26,186	\$ 0
Nonmajor governmental funds	0	17,821
Total	\$ 26,186	\$ 17,821

Discretely Presented Hardeman County School Department:

Transfers Out	Transfers In
	General Purpose School Fund
Nonmajor governmental funds	\$ 60,540

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

D. Contributions to Primary Government's Debt Service Fund

During the year, the discretely presented Hardeman County School Department contributed \$718,435 from the General Purpose School Fund to the primary government's General Debt Service Fund to be applied toward the retirement of general obligation debt that was issued by the county for school capital purposes.

E. Capital Lease

On November 28, 2005, Hardeman County entered into a three-year lease-purchase agreement for two trucks. The terms of the agreement require total lease payments of \$193,300 plus interest of 3.3 percent. Title to the trucks transfers to Hardeman County at the end of the lease period. The lease payments are made by the Highway/Public Works Fund.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2006, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2007	\$ 68,798
2008	68,798
2009	<u>68,798</u>
Total Minimum Lease Payments	\$ 206,394
Amount Representing Interest	<u>(13,094)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 193,300</u></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 40 years for bonds and up to 12 years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and notes included in long-term debt as of June 30, 2006, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, and capital leases outstanding as of June 30, 2006, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
General Obligation Bonds	4 to 5.625 %	\$ 7,189,000	\$ 290,000
General Obligation Bonds - Refunding	3 to 5.1	7,570,000	6,660,000
Capital Outlay Notes	3 to 4.35	645,000	338,436
Capital Leases	3.32	193,300	193,300

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2006, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2007	\$ 377,000	\$ 280,148	\$ 95,669	\$ 10,771
2008	403,000	261,187	98,639	7,801
2009	363,000	244,885	101,709	4,731
2010	293,000	231,500	14,243	1,569
2011	309,000	219,732	4,211	1,226
2012-2016	1,725,000	903,232	23,965	2,989
2017-2021	2,055,000	535,310	0	0
2022-2024	1,425,000	114,425	0	0
Total	<u>\$ 6,950,000</u>	<u>\$ 2,790,419</u>	<u>\$ 338,436</u>	<u>\$ 29,087</u>

There is \$964,415 available in the debt service funds to service long-term debt. Bonded debt per capita amounted to \$247, based on the 2000 federal census. Total debt per capita, including bonds, notes, and capital leases amounted to \$266, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

Governmental Activities:

	Bonds	Notes
Balance, July 1, 2005	\$ 6,957,000	\$ 431,221
Additions	6,370,000	0
Deductions	(6,377,000)	(92,785)
	<hr/>	<hr/>
Balance, June 30, 2006	<u>\$ 6,950,000</u>	<u>\$ 338,436</u>
	<hr/>	<hr/>
Balance Due Within One Year	<u>\$ 377,000</u>	<u>\$ 95,669</u>
	<hr/>	<hr/>
	Capital Leases	Compensated Absences
Balance, July 1, 2005	\$ 0	\$ 143,910
Additions	193,000	123,532
Deductions	0	(166,746)
	<hr/>	<hr/>
Balance, June 30, 2006	<u>\$ 193,000</u>	<u>\$ 100,696</u>
	<hr/>	<hr/>
Balance Due Within One Year	<u>\$ 62,870</u>	<u>\$ 4,487</u>
	<hr/>	<hr/>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2006	\$ 7,582,432
Less: Balance Due Within One Year	(540,026)
Less: Deferred Amount on Refunding	(284,076)
	<hr/>
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u>\$ 6,758,330</u>

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

Advance Refunding

On December 6, 2005, Hardeman County advance refunded a general obligation bond with a separate general obligation bond issue. The county issued \$6,370,000 of general obligation refunding bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust to generate resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered defeased, and the liability has been removed from the county's long-term debt. As a result of the advance refunding, total debt service payments over the next 18 years will be reduced by \$789,980, and an economic gain (difference between the

present value of the debt service payments of the refunded and refunding bonds) of \$565,322 was obtained.

Hardeman County Solid Waste Disposal Fund (Enterprise Fund)

The annual requirements to amortize notes outstanding as of June 30, 2006, including interest, are presented in the following table:

Year Ending June 30	Notes	
	Principal	Interest
2007	\$ 234,000	\$ 35,730
2008	242,000	27,258
2009	251,000	18,498
2010	260,000	9,412
Total	<u>\$ 987,000</u>	<u>\$ 90,898</u>

Changes in Long-term Liabilities

Long-term liability activity for the Solid Waste Disposal Fund (enterprise fund) for the year ended June 30, 2006, was as follows:

Business-type Activities:

	Notes	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2005	\$ 1,212,000	\$ 2,229,293
Additions	0	35,748
Deductions	(225,000)	0
Balance, June 30, 2006	<u>\$ 987,000</u>	<u>\$ 2,265,041</u>
Balance Due Within One Year	<u>\$ 234,000</u>	<u>\$ 35,000</u>

	<u>Compensated Absences</u>
Balance, July 1, 2005	\$ 0
Additions	5,764
Deductions	<u>0</u>
Balance, June 30, 2006	<u>\$ 5,764</u>
Balance Due Within One Year	<u>\$ 288</u>
Analysis of Noncurrent Liabilities Presented on Exhibit A:	
Total Noncurrent Liabilities, June 30, 2006	\$ 3,257,805
Less: Balance Due Within One Year	<u>(269,288)</u>
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u>\$ 2,988,517</u>

Discretely Presented Hardeman County School Department

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Hardeman County School Department for the year ended June 30, 2006, was as follows:

Governmental Activities:

	<u>Compensated Absences</u>
Balance, July 1, 2005	\$ 49,720
Additions	15,357
Deductions	<u>(10,952)</u>
Balance, June 30, 2006	<u>\$ 54,125</u>
Balance Due Within One Year	<u>\$ 31,426</u>

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

G. Short-term Debt

Hardeman County issued revenue anticipation notes in advance of property tax collections and other revenue sources and deposited these proceeds in the General Fund (\$450,000). These notes were necessary because funds were not

available for general operating expenses coming due before current tax collections and other revenue sources. Short-term debt activity for the year ended June 30, 2006, was as follows:

	Balance 7-1-05	Issued	Redeemed	Balance 6-30-06
Revenue Anticipation Notes	\$ 0	\$ 450,000	\$ (450,000)	\$ 0

H. Prior Period Adjustments

Prior to July 1, 2005, a vendor billing error caused the fund equity of the General Fund to be understated by \$600. Consequently, fund equity of the General Fund was restated and increased as of the beginning of the year by \$600. The Solid Waste Disposal Fund had a cash shortage of \$20,481 on June 30, 2006. Of that amount, \$1,975 is attributable to events prior to July 1, 2005, and therefore has been reflected as a prior period adjustment in the Solid Waste Disposal Fund. Details of these adjustments are discussed in the Schedule of Findings and Questioned Costs section of this report.

V. OTHER INFORMATION

A. Risk Management

Primary Government

Employee Health Insurance

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

Liability, Property, Casualty, and Workers' Compensation Insurance

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

Discretely Presented Hardeman County School Department

Employee Health Insurance

The School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-302, Tennessee Code Annotated (TCA), all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. Section 8-27-303, TCA, provides for the LEGIF to be self-sustaining through member premiums.

Liability, Property, Casualty, and Workers' Compensation Insurance

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

B. Accounting Changes

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries became effective for the year ended June 30, 2006. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries. GASB Statement No. 42 had no effect on the financial statements for the year ended June 30, 2006, since no capital asset impairment and insurance recoveries occurred. However, it is reasonably expected that capital asset impairment and insurance recoveries may occur in subsequent years that will be subject to the provisions of Statement No. 42.

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Hardeman County is not

presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. A limited statistical section was presented in the prior year's report. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that Hardeman County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. Hardeman County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Hardeman County will be required to disclose net assets restricted by enabling legislation in subsequent years.

The provisions of GASB Statement No. 47, Accounting for Termination Benefits became effective for the year ended June 30, 2006. GASB Statement No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits they offer in accrual basis financial statements. Hardeman County was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Hardeman County will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

C. Subsequent Event

On August 31, 2006, Don Clifft left the Office of County Mayor and was succeeded by Willie Spencer.

D. Contingent Liabilities

The county is involved in two pending lawsuits. The county attorney estimates that the potential claims against the county not covered by

insurance resulting from such litigation would not materially affect the financial statements of the county.

The School Department is involved in one pending lawsuit. The School Department's attorney estimates that the potential claims against the School Department not covered by insurance resulting from such litigation would not materially affect the financial statements of the School Department.

E. Change in Administration

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

F. Landfill Closure/Postclosure Care Costs

Hardeman County acquired the City of Bolivar's interest in the Bolivar/Hardeman County Landfill effective July 1, 2004. State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. These closure and postclosure care costs generally are paid near or after the date that the landfill stops accepting waste. Hardeman County has not stopped accepting waste as of the date of this report due to changes in regulations that allows the county to increase its dumping capacity at the existing landfill. The \$2,265,041 reported as accrued liability for landfill post/closure care costs in the Solid Waste Disposal Fund at June 30, 2006, represents the estimated costs for future closure/postclosure care functions. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

G. Joint Venture

The Bolivar/Hardeman County Library is jointly owned by Hardeman County and the City of Bolivar and is operated by an appointed board. The board comprises seven members, four of whom are appointed by the Hardeman County Mayor. The remaining three members are appointed by the Bolivar City Mayor. The City of Bolivar has control over budgeting and financing the joint venture only to the extent of representation by the three board members appointed. Hardeman County contributed \$78,456 to the operations of the library during the year ended June 30, 2006.

Hardeman County does not have an equity interest in the above noted joint venture. Complete financial statements for the Bolivar/Hardeman County Library can be obtained from its administrative office at the following address:

Administrative Office:

Bolivar/Hardeman County Library
213 North Washington Street
Bolivar, TN 38008

H. Retirement Commitments

Plan Description

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

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

Funding Policy

Hardeman County has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2006, was 10.62 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for

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

Annual Pension Cost

For the year ended June 30, 2006, Hardeman County’s annual pension cost of \$787,006 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Hardeman County’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was 10 years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$787,006	100%	\$0
6-30-05	799,441	100	0
6-30-04	652,823	100	0

Required Supplementary Information

Schedule of Funding Progress for Hardeman County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-05	\$14,610	\$14,610	\$0	100%	\$7,664	0%
6-30-03	12,716	12,716	0	100	6,338	0
6-30-01	11,288	11,288	0	100	6,037	0

SCHOOL TEACHERS

Plan Description

The Hardeman County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple 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 Hardeman County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2006, was 5.5 percent of annual covered payroll. The employer contribution requirement for the Hardeman County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2006, 2005, and 2004, were \$861,502, \$848,836, and \$491,636, respectively, equal to the required contributions for each year.

I. Purchasing Laws

Office of County Mayor, Highway Department, and Director of Schools

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

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

A. General Information

The Hardeman County Emergency Communications District, a component unit of Hardeman County, Tennessee, was established by voter referendum in November 1988, and the assessment of service fees began November 1989.

The purpose of the district is to provide a simplified means of securing emergency services by telephone to those persons living in Hardeman County, Tennessee.

The district is considered a component unit of Hardeman County because the Board of Directors of the district is appointed by the Hardeman County Commission; the Hardeman County Commission has the authority to adjust the rates charged by the district; and the Hardeman County Commission must approve any debt issued by the district.

B. Summary of Significant Accounting Policies

1. GASB Conformity

The district's financial statements have been prepared in conformity with generally accepted accounting principles as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB), Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principle Board (APB) Opinions, and Accounting Research Bulletins (ARBs), issued on or before November 30, 1989. After this date the district has elected to apply

only the GASB pronouncements. The following is a summary of the more significant accounting policies.

2. Basis of Accounting

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for on a cost of services or capital maintenance measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with this activity are included on their statement of position. Enterprise fund operating statements present increases (revenues) and decreases (expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or 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 district is considered an enterprise fund, which uses the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

3. Cash and Investments

Cash and cash equivalents include amounts in demand deposits as well as deposits with original maturities of three months or less.

State statutes allow investments in obligations of the U.S. Treasury, agencies, instrumentalities and obligations guaranteed as to principal and interest of the United States or any of its agencies, repurchase agreements, the Tennessee Local Government Investment Pool, and certificates of deposit.

4. Accounts Receivable and Credit Risk

Accounts receivable represent amounts due from BellSouth, Access, Z-Tel Communications, Xspedius LLC, MCI Worldcom, and state wireless charges.

5. Capital Assets

The capital assets are recorded at historical cost. Maintenance repairs and minor renewals are expensed as incurred.

Depreciation has been provided over the estimated useful lives of the capital assets by the straight-line method. The estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Buildings	30
Equipment, Furniture, and Fixtures	5 – 7
Vehicles	5

6. Budgetary Compliance

The district adopts a budget in accordance with the requirements of the Tennessee Emergency Communication Board and the Tennessee Code Annotated, Section 7-86-120. This budget is adopted on another comprehensive basis of accounting which is not in accordance with generally accepted accounting principals. The budgetary basis of accounting includes expenditures for capital assets and reduction of principal on long-term debt, but does not include depreciation. Expenditures are required to be within budgetary limits at the line item level of control.

C. Cash and Investments

The district has implemented GASB Statement No. 40, Deposit and Investment Risk Disclosures for financial reporting of deposit and investment risks.

The district's policies limit deposits and investments to those instruments allowed by applicable state laws and described below. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105 percent of the value of uninsured deposits.

The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the district's agent in the district's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the district to invest in bonds, notes, or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2006, \$146,932 of the district's bank balance was covered by federal depository insurance, and the remaining bank balance of \$37,236 was covered by the Tennessee Bank Collateral Pool

D. Capital Assets

Changes in capital assets for the year ended June 30, 2006, were:

	Balance 7-1-05	Increases	Balance 6-30-06
Capital Assets Depreciated:			
Office Building	\$ 67,671	\$ 5,000	\$ 72,671
Furniture and Fixtures	12,789	0	12,789
Office Equipment	19,989	519	20,508
Communications Equipment	89,613	8,937	98,550
Vehicles	15,684	0	15,684
Total Capital Assets			
Depreciated	\$ 205,746	\$ 14,456	\$ 220,202
Less Accumulated			
Depreciation For:			
Office Building	\$ 19,671	\$ 2,145	\$ 21,816
Furniture and Fixtures	9,822	1,073	10,895
Office Equipment	14,310	1,757	16,067
Communications Equipment	47,985	14,765	62,750
Vehicles	15,685	0	15,684
Total Accumulated			
Depreciation	\$ 107,473	\$ 19,740	\$ 127,213
Total Capital Assets, Net	\$ 98,273	\$ (5,284)	\$ 92,989

E. Commitments

The district has contracted with BellSouth for the lease of equipment and the provision of services related to the operation of the system. The contract is an operating lease and is cancelable on 30 days notice by any party. The monthly obligation under the contract is \$3,377.

F. Funding Sources

Funds for operations are provided by monthly fees from service users in Hardeman County and by the Tennessee Emergency Communications Board. Service suppliers in Hardeman County collect the service fees and remit the funds to the district. The service suppliers retain one percent of the collections as an administrative fee.

The state remits a percentage of its shared wireless charges based on the district's population.

G. Retirement Plan

Plan Description

Employees of the district are members of the Political Subdivision Pension

Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by 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 the district participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

The district requires employees to contribute five percent of earnable compensation. The district is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2006, as 11.05 percent of covered payroll. The contribution requirement of plan members is set by state statute. Contribution requirements for the district are established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2006, the district's annual pension cost of \$7,755 to TCRS was equal to the district's 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 4.5 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 equities over a five-year period. The district's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was 19 years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$7,755	100%	\$0
6-30-05	7,182	100	0
6-30-04	3,599	100	0

H. Risk Management

The district is exposed to various risks of loss related to tort, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2006, the district purchased commercial insurance for all the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in the amount of coverage provided.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit F-1

Hardeman County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual and Budget
 General Fund
 For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 4,077,673	\$ 3,455,500	\$ 3,455,500	\$ 622,173
Licenses and Permits	22,146	28,200	28,200	(6,054)
Fines, Forfeitures, and Penalties	159,171	194,100	194,100	(34,929)
Charges for Current Services	1,299,301	1,288,600	1,288,600	10,701
Other Local Revenues	403,454	253,100	253,100	150,354
Fees Received from County Officials	739,678	1,132,000	1,192,000	(452,322)
State of Tennessee	914,689	1,039,679	1,232,179	(317,490)
Federal Government	367,822	60,442	60,442	307,380
Other Governments and Citizens Groups	3,890	1,200	1,200	2,690
Total Revenues	\$ 7,987,824	\$ 7,452,821	\$ 7,705,321	\$ 282,503
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 14,475	\$ 15,600	\$ 15,600	\$ 1,125
Board of Equalization	962	1,000	1,000	38
Beer Board	1,785	2,400	2,400	615
Budget and Finance Committee	2,220	3,200	3,200	980
Other Boards and Committees	6,426	6,500	6,500	74
County Mayor/Executive	168,714	169,487	169,487	773
County Attorney	11,189	15,108	15,108	3,919
Election Commission	307,893	142,617	335,118	27,225
Register of Deeds	25,730	145,834	145,834	120,104
Development	57,357	62,383	62,383	5,026
County Buildings	139,951	137,967	149,688	9,737
Other General Administration	26,699	20,000	26,699	0
<u>Finance</u>				
Accounting and Budgeting	20,250	18,680	21,000	750
Purchasing	3,598	3,600	3,600	2
Property Assessor's Office	181,039	189,928	189,928	8,889
Reappraisal Program	29,055	35,113	35,113	6,058
County Trustee's Office	27,703	151,804	151,804	124,101
County Clerk's Office	26,122	180,536	180,536	154,414
<u>Administration of Justice</u>				
Circuit Court	241,397	260,567	260,567	19,170
General Sessions Court	86,069	86,535	86,535	466
Chancery Court	17,863	147,536	147,536	129,673
Juvenile Court	37,509	39,505	39,505	1,996
<u>Public Safety</u>				
Sheriff's Department	1,024,413	1,058,890	1,104,536	80,123
Drug Enforcement	0	0	0	0
Workhouse	525,940	493,089	557,782	31,842
Juvenile Services	31,950	30,605	31,958	8
Fire Prevention and Control	91,500	70,400	91,500	0

(Continued)

Exhibit F-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Safety (Cont.)</u>				
Civil Defense	\$ 170,173	\$ 141,159	\$ 177,159	\$ 6,986
County Coroner/Medical Examiner	23,256	28,000	28,000	4,744
<u>Public Health and Welfare</u>				
Local Health Center	122,040	83,783	124,406	2,366
Rabies and Animal Control	42,707	34,020	44,520	1,813
Ambulance/Emergency Medical Services	1,180,434	1,306,283	1,306,283	125,849
Dental Health Program	131,426	284,371	284,371	152,945
Alcohol and Drug Programs	5,000	5,000	5,000	0
Crippled Children Services	1,779	1,779	1,779	0
Other Local Health Services	2,000	2,000	2,000	0
Regional Mental Health Center	5,000	5,000	5,000	0
Other Local Welfare Services	5,000	5,200	5,200	200
Sanitation Education/Information	28,443	32,079	32,079	3,636
Waste Pickup	265,279	216,000	264,859	(420)
Convenience Centers	220,615	222,818	228,619	8,004
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	0	1,500	1,500	1,500
Libraries	85,606	87,150	87,150	1,544
Other Social, Cultural, and Recreational	2,500	2,500	2,500	0
<u>Agriculture & Natural Resources</u>				
Agriculture Extension Service	87,378	93,957	93,957	6,579
Forest Service	2,000	2,000	2,000	0
Soil Conservation	22,576	23,483	23,483	907
<u>Other Operations</u>				
Industrial Development	50,601	61,750	61,750	11,149
Airport	84,451	99,000	99,000	14,549
Veterans' Services	7,414	7,562	7,562	148
Contributions to Other Agencies	19,767	20,651	20,651	884
Employee Benefits	1,284,983	1,333,000	1,333,000	48,017
Miscellaneous	293,986	300,500	300,500	6,514
Total Expenditures	\$ 7,252,223	\$ 7,889,429	\$ 8,377,245	\$ 1,125,022
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 735,601	\$ (436,608)	\$ (671,924)	\$ 1,407,525
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 17,821	\$ 0	\$ 0	\$ 17,821
Transfers Out	(26,186)	(26,200)	(26,200)	14
Total Other Financing Sources (Uses)	\$ (8,365)	\$ (26,200)	\$ (26,200)	\$ 17,835

(Continued)

Exhibit F-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Net Change in Fund Balance	\$ 727,236	\$ (462,808)	\$ (698,124)	\$ 1,425,360
Fund Balance, July 1, 2005	574,903	600,000	698,124	(123,221)
Prior Period Adjustment	600	0	0	600
Fund Balance, June 30, 2006	<u>\$ 1,302,739</u>	<u>\$ 137,192</u>	<u>\$ 0</u>	<u>\$ 1,302,739</u>

Exhibit F-2

Hardeman County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 668,322	\$ 625,000	\$ 625,000	\$ 43,322
Charges for Current Services	0	100	100	(100)
Other Local Revenues	18,584	14,500	14,500	4,084
State of Tennessee	2,168,510	2,341,699	2,341,699	(173,189)
Total Revenues	<u>\$ 2,855,416</u>	<u>\$ 2,981,299</u>	<u>\$ 2,981,299</u>	<u>\$ (125,883)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 174,181	\$ 179,073	\$ 186,097	\$ 11,916
Highway and Bridge Maintenance	1,369,721	1,586,482	1,586,482	216,761
Operation and Maintenance of Equipment	506,254	464,893	514,513	8,259
Other Charges	86,313	100,700	100,700	14,387
Employee Benefits	391,414	428,800	428,800	37,386
Capital Outlay	583,801	664,674	941,832	358,031
Total Expenditures	<u>\$ 3,111,684</u>	<u>\$ 3,424,622</u>	<u>\$ 3,758,424</u>	<u>\$ 646,740</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (256,268)</u>	<u>\$ (443,323)</u>	<u>\$ (777,125)</u>	<u>\$ 520,857</u>
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 193,300	\$ 0	\$ 193,300	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 193,300</u>	<u>\$ 0</u>	<u>\$ 193,300</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (62,968)	\$ (443,323)	\$ (583,825)	\$ 520,857
Fund Balance, July 1, 2005	<u>1,336,402</u>	<u>1,449,309</u>	<u>1,449,309</u>	<u>(112,907)</u>
Fund Balance, June 30, 2006	<u>\$ 1,273,434</u>	<u>\$ 1,005,986</u>	<u>\$ 865,484</u>	<u>\$ 407,950</u>

HARDEMAN COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2006

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 Hardeman County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

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

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

**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 Hardeman County’s garbage collection operations. This fund was closed during the fiscal year.

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

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

Capital Projects Funds

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

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

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

Exhibit G-1

Hardeman County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	<u>Special Revenue Funds</u>			<u>Capital</u>	<u>Total</u>
	<u>Drug</u>	<u>Constitu -</u>	<u>Total</u>	<u>Projects</u>	
	<u>Control</u>	<u>Officers -</u>		<u>Industrial</u>	<u>Nonmajor</u>
		<u>Fees</u>		<u>Park</u>	<u>Funds</u>
<u>ASSETS</u>					
Cash	\$ 0	\$ 125,034	\$ 125,034	\$ 0	\$ 125,034
Equity in Pooled Cash and Investments	87,065	0	87,065	693	87,758
Accounts Receivable	5,033	200	5,233	0	5,233
Total Assets	\$ 92,098	\$ 125,234	\$ 217,332	\$ 693	\$ 218,025
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Due to Other Funds	\$ 0	\$ 23	\$ 23	\$ 0	\$ 23
Total Liabilities	\$ 0	\$ 23	\$ 23	\$ 0	\$ 23
<u>Fund Balances</u>					
Unreserved	\$ 92,098	\$ 125,211	\$ 217,309	\$ 693	\$ 218,002
Total Fund Balances	\$ 92,098	\$ 125,211	\$ 217,309	\$ 693	\$ 218,002
Total Liabilities and Fund Balances	\$ 92,098	\$ 125,234	\$ 217,332	\$ 693	\$ 218,025

Exhibit G-2

Hardeman County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2006

	Special Revenue Funds				Capital Projects Funds			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Total	General Capital Projects	Community Development/ Industrial Park	Total	
<u>Revenues</u>								
Fines, Forfeitures, and Penalties	\$ 0	\$ 37,518	\$ 0	\$ 37,518	\$ 0	\$ 0	\$ 0	\$ 37,518
Charges for Current Services	0	0	493,685	493,685	0	0	0	493,685
Other Local Revenues	0	0	0	0	491	0	491	491
State of Tennessee	0	0	0	0	38,521	0	38,521	38,521
Federal Government	0	0	0	0	0	52,280	52,280	52,280
Total Revenues	\$ 0	\$ 37,518	\$ 493,685	\$ 531,203	\$ 39,012	\$ 52,280	\$ 91,292	\$ 622,495
<u>Expenditures</u>								
Current:								
General Government	\$ 0	\$ 0	\$ 110,220	\$ 110,220	\$ 0	\$ 0	\$ 0	\$ 110,220
Finance	0	0	275,075	275,075	0	0	0	275,075
Administration of Justice	0	0	96,924	96,924	0	0	0	96,924
Public Safety	0	24,986	0	24,986	0	0	0	24,986
Other Operations	0	0	0	0	0	52,280	52,280	52,280
Capital Projects	0	0	0	0	77,627	0	77,627	77,627
Total Expenditures	\$ 0	\$ 24,986	\$ 482,219	\$ 507,205	\$ 77,627	\$ 52,280	\$ 129,907	\$ 637,112
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ 12,532	\$ 11,466	\$ 23,998	\$ (38,615)	\$ 0	\$ (38,615)	\$ (14,617)
<u>Other Financing Sources (Uses)</u>								
Transfers Out	\$ (17,821)	\$ 0	\$ 0	\$ (17,821)	\$ 0	\$ 0	\$ 0	\$ (17,821)
Total Other Financing Sources (Uses)	\$ (17,821)	\$ 0	\$ 0	\$ (17,821)	\$ 0	\$ 0	\$ 0	\$ (17,821)
Net Change in Fund Balances	\$ (17,821)	\$ 12,532	\$ 11,466	\$ 6,177	\$ (38,615)	\$ 0	\$ (38,615)	\$ (32,438)
Fund Balance, July 1, 2005	17,821	79,566	113,745	211,132	38,615	693	39,308	250,440
Fund Balance, June 30, 2006	\$ 0	\$ 92,098	\$ 125,211	\$ 217,309	\$ 0	\$ 693	\$ 693	\$ 218,002

Exhibit G-3

Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Total Expenditures	\$ 0	\$ 0	\$ 0	\$ 0
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (17,821)	\$ 0	\$ (17,821)	\$ 0
Total Other Financing Sources (Uses)	\$ (17,821)	\$ 0	\$ (17,821)	\$ 0
Net Change in Fund Balance	\$ (17,821)	\$ 0	\$ (17,821)	\$ 0
Fund Balance, July 1, 2005	17,821	0	17,821	0
Fund Balance, June 30, 2006	\$ 0	\$ 0	\$ 0	\$ 0

Exhibit G-4

Hardeman County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 37,518	\$ 16,500	\$ 16,500	\$ 21,018
Other Local Revenues	0	1,500	1,500	(1,500)
Total Revenues	<u>\$ 37,518</u>	<u>\$ 18,000</u>	<u>\$ 18,000</u>	<u>\$ 19,518</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 24,986	\$ 35,650	\$ 35,650	\$ 10,664
Total Expenditures	<u>\$ 24,986</u>	<u>\$ 35,650</u>	<u>\$ 35,650</u>	<u>\$ 10,664</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 12,532</u>	<u>\$ (17,650)</u>	<u>\$ (17,650)</u>	<u>\$ 30,182</u>
Net Change in Fund Balance	\$ 12,532	\$ (17,650)	\$ (17,650)	\$ 30,182
Fund Balance, July 1, 2005	<u>79,566</u>	<u>34,365</u>	<u>34,365</u>	<u>45,201</u>
Fund Balance, June 30, 2006	<u>\$ 92,098</u>	<u>\$ 16,715</u>	<u>\$ 16,715</u>	<u>\$ 75,383</u>

Major Governmental Fund

General Debt Service Fund

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

Exhibit H

Hardeman County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 47,531	\$ 53,000	\$ 53,000	\$ (5,469)
Other Governments and Citizens Groups	718,345	0	0	718,345
Total Revenues	<u>\$ 765,876</u>	<u>\$ 53,000</u>	<u>\$ 53,000</u>	<u>\$ 712,876</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 28,482	\$ 260,482	\$ 260,482	\$ 232,000
Education	421,304	386,304	421,304	0
<u>Interest on Debt</u>				
General Government	8,880	52,930	52,930	44,050
Education	296,110	384,332	349,332	53,222
<u>Other Debt Service</u>				
General Government	904	7,000	7,000	6,096
Education	57,185	1,000	57,255	70
Total Expenditures	<u>\$ 812,865</u>	<u>\$ 1,092,048</u>	<u>\$ 1,148,303</u>	<u>\$ 335,438</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (46,989)</u>	<u>\$ (1,039,048)</u>	<u>\$ (1,095,303)</u>	<u>\$ 1,048,314</u>
<u>Other Financing Sources (Uses)</u>				
Refunding Debt Issued	\$ 6,370,000	\$ 0	\$ 6,370,000	\$ 0
Transfers In	26,186	1,065,697	615,697	(589,511)
Payments to Refunded Debt Escrow Agent	(6,312,480)	0	(6,312,480)	0
Total Other Financing Sources (Uses)	<u>\$ 83,706</u>	<u>\$ 1,065,697</u>	<u>\$ 673,217</u>	<u>\$ (589,511)</u>
Net Change in Fund Balance	\$ 36,717	\$ 26,649	\$ (422,086)	\$ 458,803
Fund Balance, July 1, 2005	<u>927,698</u>	<u>911,180</u>	<u>911,180</u>	<u>16,518</u>
Fund Balance, June 30, 2006	<u>\$ 964,415</u>	<u>\$ 937,829</u>	<u>\$ 489,094</u>	<u>\$ 475,321</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, general sessions, and juvenile courts clerk; clerk and master; register; and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Exhibit I-1

Hardeman County, Tennessee

Combining Statement of Fiduciary Assets and Liabilities

Fiduciary Funds

June 30, 2006

	Agency Funds		Total
	Cities - Sales Tax	Constitu- tional Officers - Agency	
<u>ASSETS</u>			
Cash	\$ 0	\$ 576,652	\$ 576,652
Due from Other Governments	205,055	0	205,055
Total Assets	<u>\$ 205,055</u>	<u>576,652</u>	<u>\$ 781,707</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 205,055	\$ 0	\$ 205,055
Due to Litigants, Heirs, and Others	0	576,652	576,652
Total Liabilities	<u>\$ 205,055</u>	<u>\$ 576,652</u>	<u>\$ 781,707</u>

Exhibit I-2

Hardeman County, Tennessee
Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2006

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,215,963	\$ 1,215,963	\$ 0
Due From Other Governments	200,884	205,055	200,884	205,055
Total Assets	\$ 200,884	\$ 1,421,018	\$ 1,416,847	\$ 205,055
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 200,884	\$ 1,421,018	\$ 1,416,847	\$ 205,055
Total Liabilities	\$ 200,884	\$ 1,421,018	\$ 1,416,847	\$ 205,055
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 477,859	\$ 5,309,131	\$ 5,210,338	\$ 576,652
Total Assets	\$ 477,859	\$ 5,309,131	\$ 5,210,338	\$ 576,652
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 477,859	\$ 5,309,131	\$ 5,210,338	\$ 576,652
Total Liabilities	\$ 477,859	\$ 5,309,131	\$ 5,210,338	\$ 576,652
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,215,963	\$ 1,215,963	\$ 0
Cash	477,859	5,309,131	5,210,338	576,652
Due From Other Governments	200,884	205,055	200,884	205,055
Total Assets	\$ 678,743	\$ 6,730,149	\$ 6,627,185	\$ 781,707
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 200,884	\$ 1,421,018	\$ 1,416,847	\$ 205,055
Due to Litigants, Heirs, and Others	477,859	5,309,131	5,210,338	576,652
Total Liabilities	\$ 678,743	\$ 6,730,149	\$ 6,627,185	\$ 781,707

Hardeman County School Department

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

Internal Service Fund – The Unemployment Compensation Fund is used to account for unemployment compensation for former School Department employees.

Exhibit J-1

Hardeman County, Tennessee
Statement of Activities
Discretely Presented Hardeman County School Department
For the Year Ended June 30, 2006

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	\$ 18,849,188	\$ 7,538	\$ 2,070,603	\$ (16,771,047)
Support Services	10,072,840	41,356	90,530	(9,940,954)
Operation of Noninstructional Services	2,423,747	5,570	1,655,535	(762,642)
Other Debt Service	718,345	0	0	(718,345)
Total Governmental Activities	\$ 32,064,120	\$ 54,464	\$ 3,816,668	\$ (28,192,988)
General Revenues:				
Taxes:				
Property taxes levied for general purposes				\$ 4,584,207
Local option sales tax				2,401,743
Other local taxes				5,266
Grants & contributions not restricted for specific programs				20,305,042
Unrestricted investment earnings				71
Miscellaneous				69,049
Total General Revenues				\$ 27,365,378
Change in Net Assets				\$ (827,610)
Net Assets, July 1, 2005				23,177,876
Net Assets, June 30, 2006				\$ 22,350,266

Exhibit J-2

Hardeman County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Hardeman County School Department
June 30, 2006

	<u>Major Fund</u>	<u>Nonmajor Fund</u>	<u>Total</u>
	General Purpose School	School Federal Projects	Govern-mental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 4,035,664	\$ 1,398	\$ 4,037,062
Accounts Receivable	12,538	0	12,538
Due from Other Governments	673,448	374,674	1,048,122
Due from Other Funds	55,273	0	55,273
Property Taxes Receivable	4,811,429	0	4,811,429
Allowance for Uncollectible Property Taxes	(185,808)	0	(185,808)
Total Assets	<u>\$ 9,402,544</u>	<u>\$ 376,072</u>	<u>\$ 9,778,616</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 52,784	\$ 81,924	\$ 134,708
Due to Other Funds	0	55,273	55,273
Deferred Revenue - Current Property Taxes	4,392,044	0	4,392,044
Deferred Revenue - Delinquent Property Taxes	210,697	0	210,697
Other Deferred Revenues	205,400	0	205,400
Total Liabilities	<u>\$ 4,860,925</u>	<u>\$ 137,197</u>	<u>\$ 4,998,122</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 46,327	\$ 0	\$ 46,327
Reserved for Driver Education	24,940	0	24,940
Reserved for Career Ladder - Extended Contract	7,933	0	7,933
Reserved for Career Ladder Program	2,792	0	2,792
Reserved for Title I Grants to Local Education Agencies	0	109,243	109,243
Reserved for Innovative Education Program Strategies	0	72,052	72,052
Reserved for Special Education - Grants to States	0	52,811	52,811
Other Federal Reserves	0	4,769	4,769
Unreserved, Reported In:			
General Fund	4,459,627	0	4,459,627
Total Fund Balances	<u>\$ 4,541,619</u>	<u>\$ 238,875</u>	<u>\$ 4,780,494</u>
Total Liabilities and Fund Balances	<u>\$ 9,402,544</u>	<u>\$ 376,072</u>	<u>\$ 9,778,616</u>

Exhibit J-3

Hardeman County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
Discretely Presented Hardeman County School Department
June 30, 2006

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

Total fund balances - balance sheet - governmental funds (Exhibit J-2)	\$	4,780,494	
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	290,500	
Add: buildings and improvements net of accumulated depreciation		14,988,420	
Add: other capital assets net of accumulated depreciation		<u>1,907,363</u>	17,186,283
(2) Internal service funds are used by management to charge the costs of the unemployment compensation benefits to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.			21,517
(3) Long-term liabilities are not due in the current period and therefore are not reported in the governmental funds.			
Less: compensated absences payable			(54,125)
(4) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>416,097</u>
Net assets of governmental activities (Exhibit A)	\$		<u><u>22,350,266</u></u>

Exhibit J-4

Hardeman County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Hardeman County School Department
For the Year Ended June 30, 2006

	<u>Major Fund</u>	<u>Nonmajor Fund</u>	
	General Purpose School	School Federal Projects	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 7,053,112	\$ 0	\$ 7,053,112
Licenses and Permits	3,686	0	3,686
Charges for Current Services	20,067	0	20,067
Other Local Revenues	159,791	0	159,791
State of Tennessee	19,269,842	0	19,269,842
Federal Government	1,872,473	2,757,238	4,629,711
Total Revenues	<u>\$ 28,378,971</u>	<u>\$ 2,757,238</u>	<u>\$ 31,136,209</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 17,512,117	\$ 2,265,019	\$ 19,777,136
Support Services	8,519,712	450,602	8,970,314
Operation of Non-Instructional Services	1,807,593	0	1,807,593
Capital Outlay	2,074,182	0	2,074,182
Debt Service:			
Other Debt Service	718,345	0	718,345
Total Expenditures	<u>\$ 30,631,949</u>	<u>\$ 2,715,621</u>	<u>\$ 33,347,570</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (2,252,978)</u>	<u>\$ 41,617</u>	<u>\$ (2,211,361)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 60,540	\$ 0	\$ 60,540
Transfers Out	0	(60,540)	(60,540)
Total Other Financing Sources (Uses)	<u>\$ 60,540</u>	<u>\$ (60,540)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ (2,192,438)	\$ (18,923)	\$ (2,211,361)
Fund Balance, July 1, 2005	6,734,057	257,798	6,991,855
Fund Balance, June 30, 2006	<u>\$ 4,541,619</u>	<u>\$ 238,875</u>	<u>\$ 4,780,494</u>

Exhibit J-5

Hardeman County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Hardeman County School Department
For the Year Ended June 30, 2006

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

Net change in fund balances - total governmental funds (Exhibit J-4)		\$ (2,211,361)
(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. The amount by which capital outlays exceeded depreciation in the current period is itemized as follows:		
Add: capital assets purchased in the current period	\$ 2,539,801	
Less: current year depreciation expense	<u>(1,143,398)</u>	1,396,403
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2006	\$ 416,097	
Less: deferred delinquent property taxes and other deferred June 30, 2005	<u>(419,319)</u>	(3,222)
(3) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Less: change in compensated absences		(4,404)
(4) Internal service funds are used by management to charge the cost of former employee unemployment compensation benefits to individual funds. The net revenue (expense) of certain activities of the internal service fund is reported with governmental activities in the statement of activities.		<u>(5,026)</u>
Change in net assets of governmental activities (Exhibit B)		<u><u>\$ (827,610)</u></u>

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

Exhibit J-6

Hardeman County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Hardeman County School Department
General Purpose School Fund
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Revenues						
Local Taxes	\$ 7,053,112	\$ 0	\$ 7,053,112	\$ 6,939,040	\$ 6,939,040	\$ 114,072
Licenses and Permits	3,686	0	3,686	4,000	4,000	(314)
Charges for Current Services	20,067	0	20,067	26,500	26,500	(6,433)
Other Local Revenues	159,791	0	159,791	136,500	136,500	23,291
State of Tennessee	19,269,842	0	19,269,842	19,189,553	19,565,990	(296,148)
Federal Government	1,872,473	0	1,872,473	1,768,800	1,783,650	88,823
Total Revenues	\$ 28,378,971	\$ 0	\$ 28,378,971	\$ 28,064,393	\$ 28,455,680	\$ (76,709)
Expenditures						
Instruction						
Regular Instruction Program	\$ 13,962,466	\$ 41,200	\$ 14,003,666	\$ 14,225,824	\$ 14,225,824	\$ 222,158
Special Education Program	2,659,528	0	2,659,528	2,591,341	2,717,455	57,927
Vocational Education Program	890,123	0	890,123	878,973	904,373	14,250
Support Services						
Attendance	116,355	0	116,355	121,530	141,444	25,089
Health Services	211,033	0	211,033	187,346	215,541	4,508
Other Student Support	482,549	0	482,549	479,875	484,975	2,426
Regular Instruction Program	755,228	4,250	759,478	783,460	783,460	23,982
Alternative Instruction Program	63,160	0	63,160	65,878	65,878	2,718
Special Education Program	479,543	0	479,543	447,284	488,076	8,533
Vocational Education Program	24,520	0	24,520	61,184	61,184	36,664
Board of Education	444,596	0	444,596	469,580	469,580	24,984
Director of Schools	255,889	0	255,889	255,164	283,764	27,875
Office of the Principal	1,655,293	0	1,655,293	1,590,700	1,675,700	20,407
Fiscal Services	168,764	0	168,764	216,217	216,217	47,453
Operation of Plant	1,615,621	0	1,615,621	1,521,027	1,670,826	55,205

(Continued)

Exhibit J-6

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Support Services (Cont.)</u>						
Maintenance of Plant	\$ 488,954	\$ 461	\$ 489,415	\$ 423,981	\$ 516,264	\$ 26,849
Transportation	1,635,487	416	1,635,903	1,599,738	1,675,363	39,460
Central and Other	122,720	0	122,720	108,272	130,802	8,082
<u>Operation of Non-Instructional Services</u>						
Food Service	1,596,919	0	1,596,919	1,737,645	1,737,645	140,726
Community Services	45,577	0	45,577	50,650	50,650	5,073
Early Childhood Education	165,097	0	165,097	0	173,061	7,964
<u>Capital Outlay</u>						
Regular Capital Outlay	2,074,182	0	2,074,182	2,340,000	2,214,991	140,809
<u>Principal on Debt</u>						
Education	0	0	0	315,000	0	0
<u>Interest on Debt</u>						
Education	0	0	0	375,500	52,739	52,739
<u>Other Debt Service</u>						
Education	718,345	0	718,345	80,772	718,533	188
Total Expenditures	\$ 30,631,949	\$ 46,327	\$ 30,678,276	\$ 30,926,941	\$ 31,674,345	\$ 996,069
Excess (Deficiency) of Revenues						
Over Expenditures	\$ (2,252,978)	\$ (46,327)	\$ (2,299,305)	\$ (2,862,548)	\$ (3,218,665)	\$ 919,360
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 60,540	\$ 0	\$ 60,540	\$ 50,000	\$ 50,000	\$ 10,540
Transfers Out	0	0	0	0	(7,773)	7,773
Total Other Financing Sources (Uses)	\$ 60,540	\$ 0	\$ 60,540	\$ 50,000	\$ 42,227	\$ 18,313

(Continued)

Exhibit J-6

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Net Change in Fund Balance	\$ (2,192,438)	\$ (46,327)	\$ (2,238,765)	\$ (2,812,548)	\$ (3,176,438)	\$ 937,673
Fund Balance, July 1, 2005	6,734,057	0	6,734,057	6,740,888	6,740,888	(6,831)
Fund Balance, June 30, 2006	\$ 4,541,619	\$ (46,327)	\$ 4,495,292	\$ 3,928,340	\$ 3,564,450	\$ 930,842

Exhibit J-7

Hardeman County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Hardeman County School Department
School Federal Projects Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 2,757,238	\$ 1,356,334	\$ 2,957,743	\$ (200,505)
Total Revenues	\$ 2,757,238	\$ 1,356,334	\$ 2,957,743	\$ (200,505)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,325,289	\$ 306,302	\$ 1,556,073	\$ 230,784
Special Education Program	827,066	851,543	914,641	87,575
Vocational Education Program	112,664	112,703	112,664	0
<u>Support Services</u>				
Health Services	59,845	24,592	79,202	19,357
Other Student Support	28,009	25,680	37,672	9,663
Regular Instruction Program	202,564	37,205	299,935	97,371
Alternative Instruction Program	0	0	500	500
Special Education Program	158,463	189,577	171,159	12,696
Vocational Education Program	1,721	3,130	1,721	0
Total Expenditures	\$ 2,715,621	\$ 1,550,732	\$ 3,173,567	\$ 457,946
Excess (Deficiency) of Revenues Over Expenditures	\$ 41,617	\$ (194,398)	\$ (215,824)	\$ 257,441
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 0	\$ 31,418	\$ (31,418)
Transfers Out	(60,540)	(31,839)	(99,658)	39,118
Total Other Financing Sources (Uses)	\$ (60,540)	\$ (31,839)	\$ (68,240)	\$ 7,700
Net Change in Fund Balance	\$ (18,923)	\$ (226,237)	\$ (284,064)	\$ 265,141
Fund Balance, July 1, 2005	257,798	284,064	284,064	(26,266)
Fund Balance, June 30, 2006	\$ 238,875	\$ 57,827	\$ 0	\$ 238,875

Exhibit J-8

Hardeman County, Tennessee
Statement of Net Assets
Proprietary Fund
Discretely Presented Hardeman County School Department
June 30, 2006

	Governmental Activities - Internal Service
	<u>Unemployment Compensation</u>
<u>ASSETS</u>	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 21,517
Total Assets	<u>\$ 21,517</u>
<u>NET ASSETS</u>	
Unrestricted	<u>\$ 21,517</u>
Total Net Assets	<u><u>\$ 21,517</u></u>

Exhibit J-9

Hardeman County, Tennessee
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
Discretely Presented Hardeman County School Department
For the Year Ended June 30, 2006

	Governmental Activities - Internal Service
	<u>Unemployment Compensation</u>
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
Receipts from Individual Schools	\$ 45,790
Total Operating Revenues	<u>\$ 45,790</u>
<u>Operating Expenses</u>	
<u>Board of Education</u>	
Other Charges	\$ 50,887
Total Operating Expenses	<u>\$ 50,887</u>
Operating Income (Loss)	<u>\$ (5,097)</u>
<u>Nonoperating Revenues</u>	
Investment Income	\$ 71
Total Nonoperating Revenues	<u>\$ 71</u>
Change in Net Assets	\$ (5,026)
Net Assets, July 1, 2005	<u>26,543</u>
Net Assets, June 30, 2006	<u><u>\$ 21,517</u></u>

Exhibit J-10

Hardeman County, Tennessee
Statement of Cash Flows
Proprietary Fund
Discretely Presented Hardeman County School Department
For the Year Ended June 30, 2006

	Governmental Activities - Internal Service <hr/> Unemployment Compensation
<u>Cash Flows from Operating Activities</u>	
Receipts from Individual Schools	\$ 45,790
Other Charges	<u>(50,887)</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ (5,097)</u>
<u>Cash Flows from Investing Activities</u>	
Interest on Investments	<u>\$ 71</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 71</u>
Increase (Decrease) in Cash	\$ (5,026)
Cash, July 1, 2005	<u>26,543</u>
Cash, June 30, 2006	<u><u>\$ 21,517</u></u>

MISCELLANEOUS SCHEDULES

Exhibit K-1

Hardeman County, Tennessee
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds
Primary Government and Discretely Presented Hardeman County School Department
For the Year Ended June 30, 2006

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-06
<u>NOTES PAYABLE</u>									
<u>Payable through General Debt Service Fund</u>									
Energy Efficiency Loan	\$ 500,000	3 %	6-5-01	7-15-08	\$ 298,309	\$ 0	\$ 71,304	\$ 0	227,005
Convenience Centers	50,000	4.35	5-19-04	5-18-16	46,738	0	3,402	0	43,336
Convenience Centers - Trash Compactors	95,000	3.27	10-6-04	10-6-09	86,174	0	18,079	0	68,095
Total Notes Payable					\$ 431,221	\$ 0	\$ 92,785	\$ 0	338,436
<u>CAPITAL LEASES PAYABLE</u>									
<u>Payable through Highway/Public Works Fund</u>									
Trucks (2)	193,300	3.3	11-28-05	11-15-08	\$ 0	\$ 193,300	\$ 0	\$ 0	193,300
Total Capital Leases Payable					\$ 0	\$ 193,300	\$ 0	\$ 0	193,300
<u>BONDS PAYABLE</u>									
<u>Payable through General Debt Service Fund</u>									
Hardeman County Industrial, Fm.H.A.	189,000	5	1-1-1975	1-1-15	\$ 87,000	\$ 0	\$ 7,000	\$ 0	80,000
School Refunding	1,200,000	3 to 5.1	2-1-1994	1-1-09	440,000	0	115,000	0	325,000
School	7,000,000	4 to 5.625	1-15-1997	4-1-07	6,430,000	0	200,000	6,020,000	210,000
School Refunding Series 2005	6,370,000	3.98	12-6-05	4-1-24	0	6,370,000	35,000	0	6,335,000
Total Bonds Payable					\$ 6,957,000	\$ 6,370,000	\$ 357,000	\$ 6,020,000	6,950,000

Exhibit K-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2007	\$ 377,000	\$ 280,148	\$ 657,148
2008	403,000	261,187	664,187
2009	363,000	244,885	607,885
2010	293,000	231,500	524,500
2011	309,000	219,732	528,732
2012	319,000	207,342	526,342
2013	335,000	194,529	529,529
2014	345,000	181,094	526,094
2015	361,000	167,236	528,236
2016	365,000	153,031	518,031
2017	380,000	138,504	518,504
2018	395,000	123,380	518,380
2019	410,000	107,659	517,659
2020	425,000	91,341	516,341
2021	445,000	74,426	519,426
2022	460,000	56,715	516,715
2023	480,000	38,407	518,407
2024	485,000	19,303	504,303
Total	<u>\$ 6,950,000</u>	<u>\$ 2,790,419</u>	<u>\$ 9,740,419</u>

Exhibit K-3

Hardeman County, Tennessee

Schedule of Transfers

Primary Government and Discretely Presented Hardeman County School Department

For the Year Ended June 30, 2006

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>Primary Government</u>			
Solid Waste/Sanitation	General	To close fund	\$ 17,821
General	General Debt Service	To provide funds for debt retirement	<u>26,186</u>
Total Transfers Primary Government			<u>\$ 44,007</u>
<u>Discretely Presented Hardeman County School Department</u>			
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 60,540</u>
Total Transfers Discretely Presented Hardeman County School Department			<u>\$ 60,540</u>

Exhibit K-4

Hardeman County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Hardeman County School Department
For the Year Ended June 30, 2006

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u> , and Chapter 90, Private Acts of 1989	\$ 62,422	\$ 50,000	Auto-Owners Mutual Insurance Company
County Mayor Pro Tempore	County Commission	12,758	50,000	"
Director of Schools	State Board of Education and County Board of Education	100,167 (1)	150,000	Tennessee School Board Risk Management Trust
Highway Superintendent	Section 8-24-102, <u>TCA</u>	64,934	100,000	Auto-Owners Mutual Insurance Company
Trustee	Section 8-24-102, <u>TCA</u>	54,048	753,800	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	54,048	10,000	Western Surety Company
County Clerk	Section 8-24-102, <u>TCA</u>	54,048	50,000	Auto-Owners Mutual Insurance Company
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	54,048	65,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	54,048	65,000	Western Surety Company
Register	Section 8-24-102, <u>TCA</u>	54,048	25,000	Auto-Owners Mutual Insurance Company
Sheriff	Section 8-24-102, <u>TCA</u>	59,971 (2)	25,000	"
Employee Dishonesty Coverage:				
County General Employees			150,000	Tennessee School Boards Risk Management Trust
Highway Superintendent's Office			150,000	"
Office of Director of Schools:				
School Central Office Staff			150,000	"

(1) Includes chief executive officer training supplement of \$1,000.

(2) Includes law enforcement training supplement of \$519.

Exhibit K-5

Hardeman County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2006

	Special Revenue Funds				Debt Service Fund	Capital Projects Funds		Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Community Development/ Industrial Park	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 2,675,018	\$ 0	\$ 0	\$ 0	\$ 24,953	\$ 0	\$ 0	\$ 2,699,971
Trustee's Collections - Prior Year	118,072	0	0	0	13,386	0	0	131,458
Trustee's Collections - Bankruptcy	6,864	0	0	0	718	0	0	7,582
Circuit/Clerk & Master Collections - Prior Years	65,088	0	0	0	6,188	0	0	71,276
Interest and Penalty	25,871	0	0	0	1,955	0	0	27,826
Payments in-Lieu-of Taxes - T.V.A.	126,943	0	0	0	0	0	0	126,943
Payments in-Lieu-of Taxes - Other	188,178	0	0	0	331	0	0	188,509
<u>County Local Option Taxes</u>								
Local Option Sales Tax	242,136	0	0	0	0	0	0	242,136
Hotel/Motel Tax	12,037	0	0	0	0	0	0	12,037
Wheel Tax	0	0	0	668,322	0	0	0	668,322
Litigation Tax - General	146,729	0	0	0	0	0	0	146,729
Litigation Tax - Jail, Workhouse, or Courthouse	45,836	0	0	0	0	0	0	45,836
Business Tax	142,583	0	0	0	0	0	0	142,583
<u>Statutory Local Taxes</u>								
Bank Excise Tax	59,491	0	0	0	0	0	0	59,491
Wholesale Beer Tax	220,108	0	0	0	0	0	0	220,108
Interstate Telecommunications Tax	2,719	0	0	0	0	0	0	2,719
Total Local Taxes	\$ 4,077,673	\$ 0	\$ 0	\$ 668,322	\$ 47,531	\$ 0	\$ 0	\$ 4,793,526
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Animal Registration	\$ 1,253	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,253
Cable TV Franchise	5,481	0	0	0	0	0	0	5,481
<u>Permits</u>								
Beer Permits	2,612	0	0	0	0	0	0	2,612
Building Permits	12,000	0	0	0	0	0	0	12,000
Other Permits	800	0	0	0	0	0	0	800
Total Licenses and Permits	\$ 22,146	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 22,146

(Continued)

Exhibit K-5

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

	Special Revenue Funds				Debt Service Fund	Capital Projects Funds		Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Community Development/ Industrial Park	
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 7,619	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	7,619
Officers Costs	9,300	0	0	0	0	0	0	9,300
Drug Control Fines	634	3,171	0	0	0	0	0	3,805
Jail Fees	1,837	0	0	0	0	0	0	1,837
Data Entry Fee - Circuit Court	154	0	0	0	0	0	0	154
<u>General Sessions Court</u>								
Fines	44,317	0	0	0	0	0	0	44,317
Officers Costs	44,419	0	0	0	0	0	0	44,419
Game and Fish Fines	1,360	0	0	0	0	0	0	1,360
Drug Control Fines	5,511	6,707	0	0	0	0	0	12,218
Jail Fees	14,091	0	0	0	0	0	0	14,091
DUI Treatment Fines	7,781	0	0	0	0	0	0	7,781
Data Entry Fee - General Sessions Court	7,624	0	0	0	0	0	0	7,624
Courtroom Security Fee	6	0	0	0	0	0	0	6
<u>Juvenile Court</u>								
Fines	386	0	0	0	0	0	0	386
Officers Costs	8,305	0	0	0	0	0	0	8,305
Jail Fees	10	0	0	0	0	0	0	10
Data Entry Fee - Juvenile Court	1,280	0	0	0	0	0	0	1,280
<u>Chancery Court</u>								
Officers Costs	2,933	0	0	0	0	0	0	2,933
Data Entry Fee - Chancery Court	1,104	0	0	0	0	0	0	1,104
<u>Other Courts - In-county</u>								
Officers Costs	494	0	0	0	0	0	0	494
<u>Judicial District Drug Program</u>								
Courtroom Security Fee	6	0	0	0	0	0	0	6
<u>Other Fines, Forfeitures, and Penalties</u>								
Proceeds from Confiscated Property	0	27,640	0	0	0	0	0	27,640
Total Fines, Forfeitures, and Penalties	\$ 159,171	\$ 37,518	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	196,689

(Continued)

Exhibit K-5

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

	Special Revenue Funds				Debt Service Fund	Capital Projects Funds		Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Community Development/ Industrial Park	
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Patient Charges	\$ 1,255,699	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,255,699
Work Release Charges for Board	9,384	0	0	0	0	0	0	9,384
<u>Fees</u>								
Copy Fees	5,633	0	0	0	0	0	0	5,633
Telephone Commissions	12,960	0	0	0	0	0	0	12,960
Vending Machine Collections	71	0	0	0	0	0	0	71
Constitutional Officers' Fees and Commissions	0	0	493,685	0	0	0	0	493,685
Data Processing Fee - Register	11,450	0	0	0	0	0	0	11,450
Data Processing Fee - Sheriff	4,104	0	0	0	0	0	0	4,104
Total Charges for Current Services	\$ 1,299,301	\$ 0	\$ 493,685	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,792,986
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 361,920	\$ 0	\$ 0	\$ 0	\$ 0	\$ 491	\$ 0	\$ 362,411
Lease/Rentals	905	0	0	0	0	0	0	905
Sale of Maps	2,357	0	0	0	0	0	0	2,357
Miscellaneous Refunds	17,769	0	0	18,584	0	0	0	36,353
<u>Nonrecurring Items</u>								
Sale of Property	5,993	0	0	0	0	0	0	5,993
<u>Other Local Revenues</u>								
Other Local Revenues	14,510	0	0	0	0	0	0	14,510
Total Other Local Revenues	\$ 403,454	\$ 0	\$ 0	\$ 18,584	\$ 0	\$ 491	\$ 0	\$ 422,529
<u>Fees Received from County Officials</u>								
<u>Excess Fees</u>								
County Clerk	\$ 69,781	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 69,781
Clerk and Master	26,142	0	0	0	0	0	0	26,142
Register	26,424	0	0	0	0	0	0	26,424
Trustee	186,421	0	0	0	0	0	0	186,421
<u>Fees-In-Lieu of Salary</u>								
County Clerk	99	0	0	0	0	0	0	99

(Continued)

Exhibit K-5

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

	Special Revenue Funds				Debt Service Fund	Capital Projects Funds		Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Community Development/ Industrial Park	
<u>Fees Received from County Officials (Cont.)</u>								
<u>Fees-In-Lieu of Salary (Cont.)</u>								
Circuit Court Clerk	\$ 41,871	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 41,871
General Sessions Court Clerk	374,439	0	0	0	0	0	0	374,439
Sheriff	14,501	0	0	0	0	0	0	14,501
Total Fees Received from County Officials	\$ 739,678	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 739,678
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 11,256	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,256
Airport Maintenance Program	4,327	0	0	0	0	0	0	4,327
State Reappraisal Grant	12,580	0	0	0	0	0	0	12,580
Solid Waste Grants	16,025	0	0	0	0	0	0	16,025
<u>Health and Welfare Grants</u>								
Health Department Programs	147,836	0	0	0	0	38,521	0	186,357
<u>Public Works Grants</u>								
State Aid Program	0	0	0	196,683	0	0	0	196,683
Litter Program	33,713	0	0	0	0	0	0	33,713
<u>Other State Revenues</u>								
Income Tax	38,573	0	0	0	0	0	0	38,573
Beer Tax	17,212	0	0	0	0	0	0	17,212
Alcoholic Beverage Tax	47,393	0	0	0	0	0	0	47,393
State Revenue Sharing - T.V.A.	380,830	0	0	0	0	0	0	380,830
Contracted Prisoner Boarding	161,154	0	0	0	0	0	0	161,154
Gasoline and Motor Fuel Tax	0	0	0	1,949,219	0	0	0	1,949,219
Petroleum Special Tax	0	0	0	22,608	0	0	0	22,608
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	16,380
Other State Grants	11,330	0	0	0	0	0	0	11,330
Other State Revenues	16,080	0	0	0	0	0	0	16,080
Total State of Tennessee	\$ 914,689	\$ 0	\$ 0	\$ 2,168,510	\$ 0	\$ 38,521	\$ 0	\$ 3,121,720
<u>Federal Government</u>								
<u>Federal Through State</u>								
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 52,280	\$ 52,280

(Continued)

Exhibit K-5

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

	Special Revenue Funds				Debt Service Fund	Capital Projects Funds		Total
	General	Drug Control	Constitu- tional - Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Community Development/ Industrial Park	
<u>Federal Government (Cont.)</u>								
<u>Federal Through State (Cont.)</u>								
Homeland Security Grants	\$ 162,453	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 162,453
Other Federal through State	192,500	0	0	0	0	0	0	192,500
<u>Direct Federal Revenue</u>								
Other Direct Federal Revenue	12,869	0	0	0	0	0	0	12,869
Total Federal Government	\$ 367,822	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 52,280	\$ 420,102
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Contributions	\$ 1,160	\$ 0	\$ 0	\$ 0	\$ 718,345	\$ 0	\$ 0	\$ 719,505
<u>Other</u>								
Other	2,730	0	0	0	0	0	0	2,730
Total Other Government and Citizens Groups	\$ 3,890	\$ 0	\$ 0	\$ 0	\$ 718,345	\$ 0	\$ 0	\$ 722,235
Total	\$ 7,987,824	\$ 37,518	\$ 493,685	\$ 2,855,416	\$ 765,876	\$ 39,012	\$ 52,280	\$ 12,231,611

Exhibit K-6

Hardeman County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Hardeman County School Department
For the Year Ended June 30, 2006

	General Purpose School	School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 4,181,345	\$ 0	\$ 4,181,345
Trustee's Collections - Prior Year	232,044	0	232,044
Trustee's Collections - Bankruptcy	12,451	0	12,451
Circuit/Clerk & Master Collections - Prior Years	116,418	0	116,418
Interest and Penalty	45,171	0	45,171
Payments in-Lieu-of Taxes - Other	58,674	0	58,674
<u>County Local Option Taxes</u>			
Local Option Sales Tax	2,401,402	0	2,401,402
Other County Local Option Taxes	341	0	341
<u>Statutory Local Taxes</u>			
Interstate Telecommunications Tax	5,266	0	5,266
Total Local Taxes	\$ 7,053,112	\$ 0	\$ 7,053,112
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 3,686	\$ 0	\$ 3,686
Total Licenses and Permits	\$ 3,686	\$ 0	\$ 3,686
<u>Charges for Current Services</u>			
<u>Fees</u>			
Vending Machine Collections	\$ 783	\$ 0	\$ 783
<u>Education Charges</u>			
Tuition - Summer School	7,538	0	7,538
School Based Health Services - FFS	4,900	0	4,900
Receipts from Individual Schools	6,846	0	6,846
Total Charges for Current Services	\$ 20,067	\$ 0	\$ 20,067
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Lease/Rentals	\$ 33,727	\$ 0	\$ 33,727
Miscellaneous Refunds	65,325	0	65,325
<u>Nonrecurring Items</u>			
Sale of Equipment	3,724	0	3,724
Contributions & Gifts	8,902	0	8,902
<u>Other Local Revenues</u>			
Other Local Revenues	48,113	0	48,113
Total Other Local Revenues	\$ 159,791	\$ 0	\$ 159,791
<u>State of Tennessee</u>			
<u>State Education Funds</u>			
Basic Education Program	\$ 18,686,161	\$ 0	\$ 18,686,161
Early Childhood Education	161,097	0	161,097
School Food Service	27,408	0	27,408
Driver Education	4,919	0	4,919
Other State Education Funds	10,053	0	10,053
Career Ladder Program	248,400	0	248,400
Career Ladder - Extended Contract	131,804	0	131,804
Total State of Tennessee	\$ 19,269,842	\$ 0	\$ 19,269,842

(Continued)

Exhibit K-6

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

	General Purpose School	School Federal Projects	Total
<u>Federal Government</u>			
<u>Federal Through State</u>			
USDA School Lunch Program	\$ 1,074,329	\$ 0	\$ 1,074,329
Breakfast	443,501	0	443,501
USDA - Other	5,335	0	5,335
Vocational Education - Basic Grants to States	0	138,309	138,309
Title I Grants to Local Education Agencies	0	1,172,620	1,172,620
Innovative Education Program Strategies	0	165,789	165,789
Special Education - Grants to States	247,157	943,919	1,191,076
Special Education Preschool Grants	0	44,531	44,531
Eisenhower Professional Development State Grants	0	277,895	277,895
Other Federal through State	45,557	14,175	59,732
<u>Direct Federal Revenue</u>			
ROTC Reimbursement	56,594	0	56,594
Total Federal Government	\$ 1,872,473	\$ 2,757,238	\$ 4,629,711
Total	\$ 28,378,971	\$ 2,757,238	\$ 31,136,209

Exhibit K-7

Hardeman County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2006

General Fund

General Government

County Commission

Board and Committee Members Fees	\$ 14,475	
Total County Commission		\$ 14,475

Board of Equalization

Board and Committee Members Fees	\$ 962	
Total Board of Equalization		962

Beer Board

Board and Committee Members Fees	\$ 1,785	
Total Beer Board		1,785

Budget and Finance Committee

Board and Committee Members Fees	\$ 2,220	
Total Budget and Finance Committee		2,220

Other Boards and Committees

Board and Committee Members Fees	\$ 3,550	
Travel	2,876	
Total Other Boards and Committees		6,426

County Mayor/Executive

County Official/Administrative Officer	\$ 62,422	
Secretary(ies)	64,100	
Part-time Personnel	13,282	
Educational Incentive - Official/Admin Officer	2,820	
Communication	3,247	
Maintenance & Repair Services - Office Equipment	660	
Postal Charges	2,172	
Travel	3,479	
Office Supplies	3,771	
Other Supplies and Materials	446	
Other Charges	196	
Office Equipment	12,119	
Total County Mayor/Executive		168,714

County Attorney

County Official/Administrative Officer	\$ 10,107	
Legal Services	1,082	
Total County Attorney		11,189

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission

County Official/Administrative Officer	\$	36,730	
Clerical Personnel		17,981	
Overtime Pay		668	
Board and Committee Members Fees		2,650	
Election Workers		10,740	
Communication		2,567	
Dues and Memberships		1,050	
Legal Notices, Recording, and Court Costs		1,796	
Maintenance & Repair Services - Office Equipment		287	
Postal Charges		900	
Printing, Stationery, and Forms		4,258	
Rentals		13,580	
Travel		3,828	
Other Contracted Services		2,409	
Office Supplies		2,866	
Utilities		4,512	
Other Charges		795	
Office Equipment		<u>200,276</u>	
Total Election Commission			\$ 307,893

Register of Deeds

Educational Incentive - Official/Admin Officer	\$	2,820	
Educational Incentive - Other County Employees		1,875	
Communication		3,707	
Data Processing Services		10,069	
Postal Charges		390	
Data Processing Supplies		271	
Office Supplies		6,031	
Data Processing Equipment		330	
Office Equipment		<u>237</u>	
Total Register of Deeds			25,730

Development

County Official/Administrative Officer	\$	16,719
Clerical Personnel		21,161
Part-time Personnel		1,702
Communication		1,693
Contracts with Government Agencies		10,500
Rentals		308
Travel		2,560

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

Development (Cont.)

Office Supplies	\$	1,147	
Other Charges		102	
Office Equipment		1,465	
Total Development			\$ 57,357

County Buildings

Supervisor/Director	\$	31,208	
Custodial Personnel		38,215	
Communication		1,901	
Maintenance & Repair Services - Buildings		20,030	
Travel		15	
Other Contracted Services		683	
Custodial Supplies		3,296	
Utilities		40,354	
Other Supplies and Materials		3,281	
Building Improvements		968	
Total County Buildings			139,951

Other General Administration

Land	\$	26,699	
Total Other General Administration			26,699

Finance

Accounting and Budgeting

Accountants/Bookkeepers	\$	17,500	
Part-time Personnel		2,750	
Total Accounting and Budgeting			20,250

Purchasing

County Official/Administrative Officer	\$	3,598	
Total Purchasing			3,598

Property Assessor's Office

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		41,027	
Clerical Personnel		29,980	
Part-time Personnel		6,944	
Communication		3,072	
Data Processing Services		17,892	
Dues and Memberships		1,185	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Maintenance & Repair Services - Office Equipment	\$	761	
Postal Charges		690	
Travel		2,198	
Other Contracted Services		17,995	
Office Supplies		2,448	
Other Supplies and Materials		922	
Office Equipment		<u>1,877</u>	
Total Property Assessor's Office			\$ 181,039

Reappraisal Program

Other Salaries & Wages	\$	21,159	
Data Processing Services		3,457	
Postal Charges		226	
Travel		<u>4,213</u>	
Total Reappraisal Program			29,055

County Trustee's Office

Educational Incentive - Official/Admin Officer	\$	2,820	
Educational Incentive - Other County Employees		2,250	
Communication		4,291	
Maintenance & Repair Services - Office Equipment		660	
Postal Charges		6,995	
Office Supplies		4,252	
Office Equipment		<u>6,435</u>	
Total County Trustee's Office			27,703

County Clerk's Office

Communication	\$	3,783	
Maintenance & Repair Services - Office Equipment		11,195	
Postal Charges		5,864	
Office Supplies		<u>5,280</u>	
Total County Clerk's Office			26,122

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	54,048
Deputy(ies)		41,528
Clerical Personnel		92,170
Part-time Personnel		10,770
Educational Incentive - Other County Employees		1,000

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Jury and Witness Fees	\$	12,287	
Other Per Diem & Fees		798	
Communication		3,964	
Maintenance & Repair Services - Office Equipment		668	
Postal Charges		5,063	
Travel		449	
Office Supplies		8,822	
Other Charges		218	
Office Equipment		9,612	
Total Circuit Court			\$ 241,397

General Sessions Court

Judge(s)	\$	76,981	
Secretary(ies)		6,303	
Part-time Personnel		2,200	
Dues and Memberships		50	
Travel		535	
Total General Sessions Court			86,069

Chancery Court

Communication	\$	2,890	
Data Processing Services		647	
Legal Notices, Recording, and Court Costs		2,642	
Maintenance & Repair Services - Office Equipment		580	
Postal Charges		6,000	
Office Supplies		5,104	
Total Chancery Court			17,863

Juvenile Court

Other Salaries & Wages	\$	25,305	
Communication		2,612	
Contracts with Government Agencies		2,998	
Contracts with Other Public Agencies		3,053	
Transportation - Other than Students		346	
Travel		1,976	
Office Supplies		737	
Other Charges		482	
Total Juvenile Court			37,509

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	59,452	
Assistant(s)		34,594	
Deputy(ies)		468,837	
Investigator(s)		58,472	
Salary Supplements		7,780	
Dispatchers/Radio Operators		70,149	
Secretary(ies)		47,287	
Part-time Personnel		9,608	
Overtime Pay		19,257	
In-Service Training		2,900	
Communication		28,932	
Dues and Memberships		440	
Maintenance & Repair Services - Vehicles		29,764	
Postal Charges		2,855	
Travel		3,968	
Gasoline		78,363	
Office Supplies		10,581	
Uniforms		7,302	
Medical Claims		881	
Other Charges		8,146	
Communication Equipment		8,726	
Law Enforcement Equipment		8,753	
Motor Vehicles		51,994	
Office Equipment		5,372	
Total Sheriff's Department			\$ 1,024,413

Workhouse

Medical Personnel	\$	250
Guards		225,125
Cafeteria Personnel		26,057
Part-time Personnel		21,584
Overtime Pay		12,028
Communication		1,339
Maintenance & Repair Services - Buildings		4,658
Maintenance & Repair Services - Equipment		8,159
Medical and Dental Services		24,883
Custodial Supplies		12,131
Drugs and Medical Supplies		11,319
Electricity		52,483
Food Preparation Supplies		3,498

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Workhouse (Cont.)

Food Supplies	\$ 110,632	
Other Supplies and Materials	6,321	
Other Charges	2,481	
Building Improvements	695	
Communication Equipment	2,297	
Total Workhouse		\$ 525,940

Juvenile Services

Supervisor/Director	\$ 28,305	
Communication	1,009	
Postal Charges	152	
Office Supplies	311	
Office Equipment	2,173	
Total Juvenile Services		31,950

Fire Prevention and Control

Contracts with Government Agencies	\$ 91,500	
Total Fire Prevention and Control		91,500

Civil Defense

Supervisor/Director	\$ 5,350	
Communication	1,620	
Other Charges	974	
Other Equipment	162,229	
Total Civil Defense		170,173

County Coroner/Medical Examiner

Other Contracted Services	\$ 23,256	
Total County Coroner/Medical Examiner		23,256

Public Health and Welfare

Local Health Center

Communication	\$ 7,310	
Contracts with Government Agencies	25,320	
Janitorial Services	14,400	
Maintenance & Repair Services - Buildings	5,930	
Postal Charges	2,350	
Travel	8	
Custodial Supplies	1,850	
Drugs and Medical Supplies	131	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Office Supplies	\$	6,496	
Utilities		13,409	
Other Supplies and Materials		4,213	
Other Capital Outlay		40,623	
Total Local Health Center			\$ 122,040

Rabies and Animal Control

County Official/Administrative Officer	\$	21,420	
Communication		1,479	
Maintenance & Repair Services - Vehicles		1,660	
Animal Food and Supplies		480	
Gasoline		4,601	
Other Supplies and Materials		2,567	
Motor Vehicles		10,500	
Total Rabies and Animal Control			42,707

Ambulance/Emergency Medical Services

Assistant(s)	\$	32,000	
Supervisor/Director		40,402	
Clerical Personnel		18,682	
Attendants		618,578	
Overtime Pay		157,088	
In-Service Training		3,115	
Communication		11,725	
Contracts with Private Agencies		11,552	
Maintenance & Repair Services - Buildings		3,213	
Maintenance & Repair Services - Equipment		3,700	
Maintenance & Repair Services - Vehicles		30,196	
Postal Charges		5,827	
Travel		421	
Custodial Supplies		2,226	
Drugs and Medical Supplies		74,033	
Gasoline		53,043	
Office Supplies		8,196	
Tires and Tubes		4,547	
Uniforms		6,595	
Utilities		9,096	
Refunds		17,095	
Other Charges		5,936	
Motor Vehicles		46,400	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Other Equipment	\$ 4,312	
Other Capital Outlay	12,456	
Total Ambulance/Emergency Medical Services		\$ 1,180,434

Dental Health Program

Medical Personnel	\$ 71,094	
Paraprofessionals	20,107	
Clerical Personnel	21,492	
Travel	2,371	
Drugs and Medical Supplies	16,362	
Total Dental Health Program		131,426

Alcohol and Drug Programs

Contributions	\$ 5,000	
Total Alcohol and Drug Programs		5,000

Crippled Children Services

Contracts with Government Agencies	\$ 1,779	
Total Crippled Children Services		1,779

Other Local Health Services

Contracts with Other Public Agencies	\$ 2,000	
Total Other Local Health Services		2,000

Regional Mental Health Center

Contributions	\$ 5,000	
Total Regional Mental Health Center		5,000

Other Local Welfare Services

Other Contracted Services	\$ 5,000	
Total Other Local Welfare Services		5,000

Sanitation Education/Information

Foremen	\$ 10,778	
Laborers	6,399	
Instructional Supplies and Materials	5,181	
Other Supplies and Materials	5,711	
Other Charges	374	
Total Sanitation Education/Information		28,443

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Waste Pickup

Contracts with Private Agencies	\$	264,859	
Other Contracted Services		420	
Total Waste Pickup			\$ 265,279

Convenience Centers

Supervisor/Director	\$	8,542	
Clerical Personnel		7,123	
Part-time Personnel		161,838	
Communication		6,453	
Contracts with Private Agencies		2,140	
Maintenance & Repair Services - Equipment		166	
Other Contracted Services		10,557	
Gasoline		70	
Office Supplies		101	
Road Signs		42	
Utilities		10,662	
Gravel and Chert		4,139	
Fencing		1,880	
Other Supplies and Materials		2,322	
Other Charges		4,580	
Total Convenience Centers			220,615

Social, Cultural, and Recreational Services

Libraries

Contributions	\$	7,150	
Other Contracted Services		78,456	
Total Libraries			85,606

Other Social, Cultural, and Recreational

Contributions	\$	2,500	
Total Other Social, Cultural, and Recreational			2,500

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	59,543	
Communication		3,130	
Rentals		19,104	
Utilities		4,306	
Other Supplies and Materials		525	
Other Capital Outlay		770	
Total Agriculture Extension Service			87,378

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Forest Service

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

Soil Conservation

Secretary(ies)	\$ 19,507	
Dues and Memberships	1,030	
Travel	1,572	
Other Supplies and Materials	467	
Total Soil Conservation		22,576

Other Operations

Industrial Development

Contracts with Other Public Agencies	\$ 18,581	
Contributions	32,000	
Dues and Memberships	20	
Total Industrial Development		50,601

Airport

Communication	\$ 1,582	
Maintenance & Repair Services - Buildings	2,815	
Maintenance & Repair Services - Equipment	3,733	
Other Contracted Services	12,100	
Utilities	9,582	
Airport Improvement	18,714	
Other Capital Outlay	35,925	
Total Airport		84,451

Veterans' Services

Secretary(ies)	\$ 6,861	
Communication	505	
Postal Charges	48	
Total Veterans' Services		7,414

Contributions to Other Agencies

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

Employee Benefits

Social Security	\$ 213,866	
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(Continued)

Exhibit K-7

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

General Fund (Cont.)

Other Operations (Cont.)

Employee Benefits (Cont.)

State Retirement	\$	308,754	
Employee and Dependent Insurance		571,050	
Disability Insurance		136,421	
Unemployment Compensation		4,843	
Employer Medicare		50,017	
Travel		32	
Total Employee Benefits			\$ 1,284,983

Miscellaneous

Audit Services	\$	6,476	
Contributions		15,400	
Data Processing Services		25,647	
Dues and Memberships		6,702	
Legal Notices, Recording, and Court Costs		7,039	
Other Contracted Services		302	
Other Supplies and Materials		5,838	
Liability Insurance		125,593	
Premiums on Corporate Surety Bonds		840	
Trustee's Commission		92,567	
Other Charges		7,582	
Total Miscellaneous			293,986

Total General Fund \$ 7,252,223

Drug Control Fund

Public Safety

Drug Enforcement

Communication	\$	1,079	
Confidential Drug Enforcement Payments		2,000	
Maintenance & Repair Services - Vehicles		2,965	
Travel		2,149	
Gasoline		230	
Instructional Supplies and Materials		5,829	
Office Supplies		1,320	
Trustee's Commission		94	
Law Enforcement Equipment		6,975	
Other Equipment		2,345	
Total Drug Enforcement			\$ 24,986

Total Drug Control Fund 24,986

(Continued)

Exhibit K-7

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

Constitutional Officers - Fees Fund

General Government

Register of Deeds

Constitutional Officers' Operating Expenses	\$ 110,220	
Total Register of Deeds		\$ 110,220

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$ 118,917	
Total County Trustee's Office		118,917

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 156,158	
Total County Clerk's Office		156,158

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$ 96,924	
Total Chancery Court		<u>96,924</u>

Total Constitutional Officers - Fees Fund		\$ 482,219
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Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 64,934	
Secretary(ies)	47,938	
Board and Committee Members Fees	6,750	
Communication	9,465	
Data Processing Services	5,903	
Dues and Memberships	772	
Legal Services	2,636	
Postal Charges	764	
Travel	746	
Other Contracted Services	7,199	
Electricity	19,390	
Office Supplies	4,380	
Other Supplies and Materials	888	
Office Equipment	<u>2,416</u>	
Total Administration		\$ 174,181

Highway and Bridge Maintenance

Foremen	\$ 139,613
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(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Laborers	\$	488,007	
Overtime Pay		10,052	
Other Salaries & Wages		9,572	
Rentals		900	
Asphalt - Hot Mix		394,719	
Asphalt - Liquid		90,567	
Crushed Stone		132,262	
General Construction Materials		1,677	
Pipe		38,202	
Road Signs		8,661	
Wood Products		44,771	
Chemicals		10,425	
Other Supplies and Materials		293	
Total Highway and Bridge Maintenance			\$ 1,369,721

Operation and Maintenance of Equipment

Foremen	\$	28,506	
Mechanic(s)		70,604	
Overtime Pay		2,397	
Other Salaries & Wages		1,588	
Equipment and Machinery Parts		164,449	
Garage Supplies		831	
Gasoline		195,615	
Lubricants		9,538	
Tires and Tubes		23,071	
Uniforms		8,839	
Other Supplies and Materials		816	
Total Operation and Maintenance of Equipment			506,254

Other Charges

Liability Insurance	\$	60,440	
Trustee's Commission		25,873	
Total Other Charges			86,313

Employee Benefits

Social Security	\$	53,447	
State Retirement		81,178	
Employee and Dependent Insurance		173,008	
Disability Insurance		68,108	
Unemployment Compensation		2,092	

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits (Cont.)

Employer Medicare	\$ 12,500	
Other Fringe Benefits	1,081	
Total Employee Benefits		\$ 391,414

Capital Outlay

Bridge Construction	\$ 117,315	
Building Improvements	2,715	
Communication Equipment	6,067	
Highway Construction	60,827	
Highway Equipment	216,850	
State Aid Projects	178,777	
Other Capital Outlay	1,250	
Total Capital Outlay		<u>583,801</u>

Total Highway/Public Works Fund \$ 3,111,684

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 7,000	
Principal on Notes	21,482	
Total General Government		\$ 28,482

Education

Principal on Bonds	\$ 350,000	
Principal on Notes	71,304	
Total Education		421,304

Interest on Debt

General Government

Interest on Bonds	\$ 4,175	
Interest on Notes	4,705	
Total General Government		8,880

Education

Interest on Bonds	\$ 287,161	
Interest on Notes	8,949	
Total Education		296,110

(Continued)

Exhibit K-7

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

<u>General Debt Service Fund (Cont.)</u>			
<u>Other Debt Service</u>			
<u>General Government</u>			
Trustee's Commission	\$	904	
Total General Government			\$ 904
<u>Education</u>			
Other Charges	\$	930	
Other Debt Issuance Charges		<u>56,255</u>	
Total Education			<u>57,185</u>
Total General Debt Service Fund			\$ 812,865
<u>General Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Public Health and Welfare Projects</u>			
Legal Services	\$	17,627	
Other Construction		<u>60,000</u>	
Total Public Health and Welfare Projects			<u>\$ 77,627</u>
Total General Capital Projects Fund			77,627
<u>Community Development/Industrial Park Fund</u>			
<u>Other Operations</u>			
<u>Other Economic and Community Development</u>			
Engineering Services	\$	4,480	
Other Contracted Services		<u>47,800</u>	
Total Other Economic and Community Development			<u>\$ 52,280</u>
Total Community Development/Industrial Park Fund			<u>52,280</u>
Total Governmental Funds - Primary Government			<u><u>\$ 11,813,884</u></u>

Exhibit K-8

Hardeman County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Hardeman County School Department
For the Year Ended June 30, 2006

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 9,898,808	
Career Ladder Program	142,952	
Career Ladder Extended Contracts	109,630	
Homebound Teachers	21,753	
Educational Assistants	217,936	
Other Salaries & Wages	39,720	
Certified Substitute Teachers	37,443	
Non-certified Substitute Teachers	47,634	
Social Security	652,515	
State Retirement	583,063	
Medical Insurance	1,450,346	
Dental Insurance	64,127	
Unemployment Compensation	23,120	
Employer Medicare	152,567	
Maintenance & Repair Services - Equipment	22,289	
Other Contracted Services	58,181	
Instructional Supplies and Materials	170,135	
Textbooks	192,327	
Other Supplies and Materials	10,830	
Other Charges	25	
Regular Instruction Equipment	67,065	
Total Regular Instruction Program		\$ 13,962,466

Special Education Program

Teachers	\$ 1,399,013
Career Ladder Program	17,000
Career Ladder Extended Contracts	1,680
Educational Assistants	271,045
Other Salaries & Wages	29,744
Certified Substitute Teachers	2,558
Non-certified Substitute Teachers	3,740
Social Security	106,936
State Retirement	101,306
Medical Insurance	191,429
Dental Insurance	7,685
Unemployment Compensation	4,080
Employer Medicare	25,009
Contracts with Other School Systems	147,755
Contracts with Private Agencies	206,782

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Instructional Supplies and Materials	\$	82,240	
Other Supplies and Materials		275	
Other Charges		14,326	
Special Education Equipment		46,925	
Total Special Education Program			\$ 2,659,528

Vocational Education Program

Teachers	\$	655,249	
Career Ladder Program		14,000	
Certified Substitute Teachers		495	
Non-certified Substitute Teachers		1,452	
Social Security		41,490	
State Retirement		36,699	
Medical Insurance		96,012	
Dental Insurance		3,432	
Unemployment Compensation		1,440	
Employer Medicare		9,703	
Maintenance & Repair Services - Equipment		845	
Other Contracted Services		1,500	
Instructional Supplies and Materials		27,663	
Other Supplies and Materials		143	
Total Vocational Education Program			890,123

Support Services

Attendance

Supervisor/Director	\$	53,510	
Career Ladder Program		1,000	
Other Salaries & Wages		30,690	
Social Security		5,282	
State Retirement		6,257	
Medical Insurance		14,645	
Dental Insurance		419	
Unemployment Compensation		160	
Employer Medicare		1,235	
Travel		1,656	
Other Supplies and Materials		120	
In Service/Staff Development		50	
Attendance Equipment		1,331	
Total Attendance			116,355

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services

Medical Personnel	\$	138,085	
Social Security		8,561	
State Retirement		13,502	
Medical Insurance		28,361	
Dental Insurance		605	
Unemployment Compensation		240	
Employer Medicare		2,002	
Travel		6,296	
Other Contracted Services		1,452	
Drugs and Medical Supplies		7,645	
Other Supplies and Materials		3,723	
In Service/Staff Development		330	
Other Charges		231	
Total Health Services			\$ 211,033

Other Student Support

Career Ladder Program	\$	9,000	
Guidance Personnel		357,715	
Career Ladder Extended Contracts		3,185	
Social Security		22,934	
State Retirement		20,345	
Medical Insurance		35,244	
Dental Insurance		1,534	
Unemployment Compensation		800	
Employer Medicare		5,364	
Evaluation and Testing		25,719	
Travel		709	
Total Other Student Support			482,549

Regular Instruction Program

Supervisor/Director	\$	68,131	
Career Ladder Program		15,000	
Career Ladder Extended Contracts		3,000	
Librarians		392,067	
Educational Assistants		65,861	
Social Security		33,756	
State Retirement		33,317	
Medical Insurance		56,002	
Dental Insurance		2,581	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Unemployment Compensation	\$	1,200	
Employer Medicare		7,895	
Travel		1,217	
Library Books/Media		74,451	
In Service/Staff Development		750	
Total Regular Instruction Program			\$ 755,228

Alternative Instruction Program

Supervisor/Director	\$	51,125	
Social Security		2,718	
State Retirement		2,812	
Medical Insurance		4,869	
Dental Insurance		95	
Unemployment Compensation		80	
Employer Medicare		741	
Travel		538	
Other Supplies and Materials		182	
Total Alternative Instruction Program			63,160

Special Education Program

Supervisor/Director	\$	57,480	
Career Ladder Program		6,500	
Psychological Personnel		103,475	
Assessment Personnel		109,280	
Clerical Personnel		23,340	
Other Salaries & Wages		80,655	
Social Security		23,574	
State Retirement		21,241	
Medical Insurance		37,504	
Dental Insurance		1,421	
Unemployment Compensation		560	
Employer Medicare		5,513	
Travel		9,000	
Total Special Education Program			479,543

Vocational Education Program

Supervisor/Director	\$	22,275	
Social Security		1,381	
Unemployment Compensation		80	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program (Cont.)

Employer Medicare	\$	323	
Travel		461	
Total Vocational Education Program			\$ 24,520

Board of Education

Board and Committee Members Fees	\$	5,400	
Social Security		335	
Medical Insurance		15,081	
Employer Medicare		78	
Audit Services		21,250	
Dues and Memberships		17,154	
Legal Services		1,800	
Travel		5,334	
Other Contracted Services		12,976	
Other Supplies and Materials		1,169	
Liability Insurance		30,169	
Premiums on Corporate Surety Bonds		2,321	
Trustee's Commission		174,464	
Workers' Compensation Insurance		149,808	
In Service/Staff Development		442	
Other Charges		6,815	
Total Board of Education			444,596

Director of Schools

County Official/Administrative Officer	\$	99,167	
Career Ladder Program		1,000	
Secretary(ies)		55,612	
Other Salaries & Wages		4,026	
Social Security		9,936	
State Retirement		9,148	
Medical Insurance		4,724	
Dental Insurance		216	
Unemployment Compensation		320	
Employer Medicare		2,324	
Communication		21,802	
Dues and Memberships		2,572	
Maintenance & Repair Services - Equipment		138	
Postal Charges		3,815	
Travel		4,675	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Other Contracted Services	\$	5,137	
Office Supplies		11,445	
Other Supplies and Materials		513	
In Service/Staff Development		100	
Other Charges		5,670	
Administration Equipment		13,549	
Total Director of Schools			\$ 255,889

Office of the Principal

Principals	\$	485,715	
Career Ladder Program		19,500	
Career Ladder Extended Contracts		35,490	
Assistant Principals		509,124	
Secretary(ies)		291,514	
Social Security		83,101	
State Retirement		88,644	
Medical Insurance		114,379	
Dental Insurance		4,372	
Unemployment Compensation		2,560	
Employer Medicare		19,435	
Travel		1,115	
Administration Equipment		344	
Total Office of the Principal			1,655,293

Fiscal Services

Supervisor/Director	\$	11,299	
Accountants/Bookkeepers		39,475	
Clerical Personnel		81,482	
Social Security		8,200	
State Retirement		11,027	
Medical Insurance		1,570	
Unemployment Compensation		320	
Employer Medicare		1,918	
Travel		4,473	
Other Contracted Services		9,000	
Total Fiscal Services			168,764

Operation of Plant

Custodial Personnel	\$	51,508	
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(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Other Salaries & Wages	\$	100	
Social Security		3,200	
State Retirement		5,208	
Medical Insurance		134	
Unemployment Compensation		2,960	
Employer Medicare		748	
Janitorial Services		554,899	
Laundry Service		559	
Maintenance & Repair Services - Equipment		1,757	
Travel		632	
Disposal Fees		11,260	
Other Contracted Services		5,000	
Custodial Supplies		232	
Electricity		509,697	
Natural Gas		255,075	
Water and Sewer		64,820	
Other Supplies and Materials		3,980	
Boiler Insurance		7,427	
Building and Contents Insurance		135,292	
Other Charges		261	
Plant Operation Equipment		872	
Total Operation of Plant			\$ 1,615,621

Maintenance of Plant

Supervisor/Director	\$	39,458
Secretary(ies)		12,260
Maintenance Personnel		169,609
In-Service Training		75
Social Security		13,821
State Retirement		19,490
Medical Insurance		24,434
Dental Insurance		1,034
Unemployment Compensation		480
Employer Medicare		3,232
Communication		322
Laundry Service		3,570
Maintenance & Repair Services - Buildings		11,520
Maintenance & Repair Services - Equipment		18,476
Travel		839

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Other Contracted Services	\$	22,777	
Equipment and Machinery Parts		643	
Other Supplies and Materials		116,269	
In Service/Staff Development		895	
Other Charges		2,589	
Maintenance Equipment		<u>27,161</u>	
Total Maintenance of Plant	\$		488,954

Transportation

Supervisor/Director	\$	36,542	
Mechanic(s)		149,219	
Bus Drivers		461,574	
Clerical Personnel		12,220	
In-Service Training		6,330	
Social Security		41,432	
State Retirement		58,978	
Medical Insurance		27,095	
Dental Insurance		1,245	
Unemployment Compensation		6,320	
Employer Medicare		9,690	
Communication		322	
Laundry Service		3,036	
Maintenance & Repair Services - Equipment		186	
Maintenance & Repair Services - Vehicles		7,675	
Medical and Dental Services		4,785	
Travel		3,039	
Diesel Fuel		262,159	
Equipment and Machinery Parts		20	
Garage Supplies		72	
Gasoline		33,828	
Lubricants		5,660	
Tires and Tubes		17,003	
Vehicle Parts		85,136	
Other Supplies and Materials		7,275	
Vehicle and Equipment Insurance		41,771	
Other Charges		6,078	
Transportation Equipment		<u>346,797</u>	
Total Transportation			1,635,487

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Central and Other

Supervisor/Director	\$	41,218	
Computer Programmer(s)		44,432	
Social Security		5,310	
State Retirement		7,928	
Medical Insurance		6,922	
Dental Insurance		324	
Unemployment Compensation		240	
Employer Medicare		1,242	
Maintenance & Repair Services - Equipment		9,128	
Travel		3,867	
Data Processing Supplies		60	
Office Supplies		854	
Other Charges		60	
Administration Equipment		115	
Data Processing Equipment		1,020	
Total Central and Other			\$ 122,720

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	50,190	
Career Ladder Program		2,000	
Other Salaries & Wages		1,059	
In-Service Training		731	
Social Security		3,347	
State Retirement		2,745	
Medical Insurance		4,453	
Dental Insurance		216	
Unemployment Compensation		80	
Employer Medicare		783	
Payments to Schools - Breakfast		443,501	
Payments to Schools - Lunch		1,074,329	
Payments to Schools - Other		1,740	
Payments to Schools - Other USDA		5,335	
Travel		3,765	
Other Supplies and Materials		1,033	
In Service/Staff Development		405	
Food Service Equipment		1,207	
Total Food Service			1,596,919

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Community Services

Supervisor/Director	\$	31,675	
Social Security		1,964	
State Retirement		3,364	
Medical Insurance		4,471	
Dental Insurance		216	
Unemployment Compensation		80	
Employer Medicare		459	
Travel		758	
Other Contracted Services		99	
Food Supplies		421	
Other Supplies and Materials		200	
Other Charges		223	
Other Equipment		1,647	
Total Community Services			\$ 45,577

Early Childhood Education

Teachers	\$	66,172	
Educational Assistants		21,917	
Non-certified Substitute Teachers		220	
Social Security		5,475	
State Retirement		5,409	
Medical Insurance		9,158	
Dental Insurance		501	
Employer Medicare		1,280	
Consultants		154	
Travel		1,906	
Instructional Supplies and Materials		30,877	
Other Supplies and Materials		33	
Other Equipment		21,995	
Total Early Childhood Education			165,097

Capital Outlay

Regular Capital Outlay

Architects	\$	7,500	
Building Construction		1,942,116	
Building Improvements		110,075	
Site Development		14,491	
Total Regular Capital Outlay			2,074,182

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Other Debt Service

Education

Contributions	\$ 718,345	
Total Education		\$ 718,345

Total General Purpose School Fund \$ 30,631,949

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 581,576	
Educational Assistants	45,156	
Other Salaries & Wages	199,596	
Certified Substitute Teachers	6,792	
Non-certified Substitute Teachers	6,204	
Social Security	60,374	
State Retirement	61,839	
Medical Insurance	105,081	
Dental Insurance	3,974	
Employer Medicare	11,573	
Maintenance & Repair Services - Equipment	2,715	
Travel	54	
Other Contracted Services	26,509	
Instructional Supplies and Materials	134,834	
In Service/Staff Development	31,417	
Other Charges	3,200	
Regular Instruction Equipment	44,395	
Total Regular Instruction Program		\$ 1,325,289

Special Education Program

Educational Assistants	\$ 645,409	
Social Security	35,509	
State Retirement	54,789	
Medical Insurance	1,170	
Employer Medicare	8,283	
Contracts with Private Agencies	8,606	
Instructional Supplies and Materials	67,229	
Other Charges	1	
Special Education Equipment	6,070	
Total Special Education Program		827,066

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Educational Assistants	\$	8,812	
Social Security		546	
State Retirement		338	
Employer Medicare		128	
Travel		6,125	
Instructional Supplies and Materials		46,347	
Other Charges		2,955	
Vocational Instruction Equipment		47,413	
Total Vocational Education Program			\$ 112,664

Support Services

Health Services

Medical Personnel	\$	43,692	
Social Security		2,709	
State Retirement		3,535	
Medical Insurance		8,848	
Dental Insurance		302	
Employer Medicare		634	
In Service/Staff Development		125	
Total Health Services			59,845

Other Student Support

Travel	\$	9,066	
Other Contracted Services		8,000	
In Service/Staff Development		4,751	
Other Charges		6,192	
Total Other Student Support			28,009

Regular Instruction Program

Supervisor/Director	\$	49,062	
Other Salaries & Wages		13,090	
Social Security		3,831	
State Retirement		2,201	
Medical Insurance		4,485	
Dental Insurance		210	
Employer Medicare		759	
Consultants		11,346	
Travel		7,769	
Other Supplies and Materials		1,377	

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

In Service/Staff Development	\$ 106,061	
Other Charges	200	
Other Equipment	2,173	
Total Regular Instruction Program		\$ 202,564

Special Education Program

Other Salaries & Wages	\$ 120,314	
Social Security	5,716	
State Retirement	8,631	
Medical Insurance	9,145	
Dental Insurance	233	
Employer Medicare	1,358	
Consultants	1,000	
Maintenance & Repair Services - Equipment	214	
Travel	11,852	
Total Special Education Program		158,463

Vocational Education Program

Travel	\$ 1,426	
In Service/Staff Development	295	
Total Vocational Education Program		<u>1,721</u>

Total School Federal Projects Fund \$ 2,715,621

Total Governmental Funds - Hardeman County School Department \$ 33,347,570

Exhibit K-9

Hardeman County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2006

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 1,215,963
Total Cash Receipts	<u>\$ 1,215,963</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,203,803
Trustee's Commission	12,160
Total Cash Disbursements	<u>\$ 1,215,963</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2005	<u>0</u>
Cash Balance, June 30, 2006	<u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



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

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

October 31, 2006

Hardeman County Mayor and
Board of County Commissioners
Hardeman 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 Hardeman County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise Hardeman County's basic financial statements and have issued our report thereon dated October 31, 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 Hardeman 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 Hardeman 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 06.02, 06.03, 06.04, 06.05, 06.07, 06.08, and 06.10.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hardeman County's 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 three instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 06.01, 06.06, and 06.09.

We have also noted certain matters that we reported to the management of Hardeman 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

October 31, 2006

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Hardeman 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, 2006. Hardeman 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 Hardeman County's management. Our responsibility is to express an opinion on Hardeman 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 Hardeman 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 Hardeman County's compliance with those requirements.

In our opinion, Hardeman 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, 2006.

Internal Control Over Compliance

The management of Hardeman 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 Hardeman 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 Hardeman County, Tennessee, as of and for the year ended June 30, 2006, and have issued our report thereon dated October 31, 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,

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

John G. Morgan
Comptroller of the Treasury

JGM/yu

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

For the Hardeman County Emergency Communications District

Board of Directors
Hardeman County Emergency Communications District
Bolivar, Tennessee

We have audited the financial statements of Hardeman County Emergency Communications District, a component unit of Hardeman County, Tennessee, as of and for the year ended June 30, 2006, and have issued our report thereon. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 an opinion 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 material weaknesses. A material weakness is a reportable condition in which the design or operation of the specific 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As a 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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of noncompliance which has been reported to the management of the district in a letter.

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

Hardeman County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2006

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	\$ 102,782
Passed through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	443,501
National School Lunch Program	10.555	N/A	1,079,664
Total U.S. Department of Agriculture			<u>\$ 1,625,947</u>
U.S. Department of Housing and Urban Development:			
Passed through State Housing Development Agency:			
HOME Investment Partnership Program	14.239	HM-03-33	\$ 52,280
Total U.S. Department of Housing and Urban Development			<u>\$ 52,280</u>
U.S. Department of Justice:			
Passed through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Z06002601	\$ 11,256
Direct Federal Revenue:			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	N/A	12,869
Total U.S. Department of Justice			<u>\$ 24,125</u>
U.S. Department of Education:			
Passed through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 1,148,987
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	1,205,481
Special Education - Preschool Grants	84.173	N/A	49,900
Vocational Education - Basic Grants to States	84.048	N/A	138,733
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	31,290
State Grants for Innovative Programs	84.298	N/A	61,264
Education Technology State Grants	84.318	(2)	15,383
Rural Education	84.358	(2)	91,395
Improving Teacher Quality State Grants	84.367	N/A	306,929
Hurricane Education Recovery	84.938	(2)	19,513
Total U.S. Department of Education			<u>\$ 3,068,875</u>
Election Assistance Program:			
Passed through State Secretary of State:			
Help America Vote Act Requirement Payments	90.401	(2)	\$ 192,500
Total Election Assistance Program			<u>\$ 192,500</u>
U.S. Department of Health and Human Services:			
Passed through State Department of Health:			
Preventive Health and Health Services Block Grant	93.991	(3)	\$ 147,836
Total U.S. Department of Health and Human Services			<u>\$ 147,836</u>

(Continued)

Hardeman 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 Homeland Security: Passed through State Department of Military: State Domestic Preparedness Equipment Support Program	97.004	Z0402244900	\$ 162,453
Total U.S. Department of Homeland Security			\$ 162,453
Total Expenditures of Federal Awards			\$ 5,274,016
State Grants:		Contract Number	
Airport Maintenance Program - State Department of Transportation	N/A	(4)	\$ 14,327
Airport Land Acquisition Grant - State Department of Transportation	N/A	Z05024822	1,331
Litter Program - State Department of Transportation	N/A	(5)	33,713
Reappraisal Program - Comptroller of the Treasury	N/A	(2)	12,580
Solid Waste Grant - State Department of Environment and Conservation	N/A	(2)	16,025
Option Waste Tire Program Grant - State Department of Environment and Conservation	N/A	(2)	13,024
Safe Schools Act - State Department of Education	N/A	(2)	10,053
Total State Grants			\$ 101,053

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) Z06025987: \$11,413; Z05020537: \$8,993; Z06025998: \$127,430
- (4) Z03014253: \$10,000; Z05023844: \$2,205; Z06028697: \$2,125
- (5) Z05021504: \$2,696; Z06027965: \$31,017

Hardeman County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2006

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Hardeman County, Tennessee, and the Hardeman County School Department for the year ended June 30, 2005, which have not been corrected.

OFFICE OF COUNTY MAYOR

Finding Number	Page Number	Subject
05.02	13	The Solid Waste Disposal Fund had a deficit in unrestricted net assets
05.04	14	The office did not solicit competitive bids for some applicable purchases
05.05	15	Purchase orders were not issued for purchases under \$5,000

OTHER FINDING

Finding Number	Page Number	Subject
05.08	17	A central system of accounting and budgeting had not been adopted

HARDEMAN COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2006

PART I, SUMMARY OF AUDITOR'S RESULTS

1. An unqualified opinion was issued on the financial statements of Hardeman County.
2. The audit of the financial statements disclosed reportable conditions in internal control. None of these conditions were considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that was material to the financial statements of Hardeman 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: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Improving Teacher Quality State Grants (CFDA No. 84.367) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Hardeman County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

OFFICE OF COUNTY MAYOR

FINDING 06.01 A CASH SHORTAGE OF \$21,731.29 EXISTED IN THE SOLID WASTE DISPOSAL FUND
(Material Noncompliance Under Government Auditing Standards)

Our audit revealed the following circumstances surrounding the cash shortage:

A. THREE INDIVIDUALS CONSPIRED TO STEAL COUNTY FUNDS RESULTING IN A CASH SHORTAGE OF \$20,902.50

Auditors determined that the county's solid waste director and two vendors conspired to submit fictitious invoices to the county resulting in a cash shortage of \$19,652.50 at June 30, 2006. An additional fictitious invoice for \$1,250 was paid on July 7, 2006, increasing the cash shortage to \$20,902.50.

Our review of invoices used to support disbursements from the Solid Waste Disposal Fund indicated that an unusual amount of mulch had been purchased. Landfill personnel advised that the amount of mulch the county had paid for was in excess of what had been delivered. As a result, we examined all payments from the Solid Waste Disposal Fund to vendors and discovered questionable payments had also been made for certain repair work performed at the landfill. We reviewed these matters with the district attorney general, who later requested an investigation by the Tennessee Bureau of Investigation (TBI). The TBI investigation revealed that Steve Robinson, the county's solid waste director, and two vendors had conspired to illegally obtain county funds for personal use by submitting fictitious invoices to the county. County warrants issued to pay for these fictitious invoices were then cashed or deposited and subsequently divided between the solid waste director and the individuals.

Eleven fictitious invoices totaling \$12,180 from Professional Lawn and Landscape, a company owned by Kenneth Collins, were submitted to the county for payment. These invoices indicated that materials and services had been provided for the operation of the Solid Waste Disposal Fund, when in fact, nothing was provided. In addition, Mr. Collins created a fictitious company, K & C Maintenance Services, and invoiced the county six times totaling \$3,645 for repair work that was never performed.

Jack's Lawn Service and Nursery, owned by Jack McKeen, submitted three invoices totaling \$5,077.50 to the county for mulch, grass seed, and fertilizer that were never received by the county.

Fictitious invoices paid by the county to Professional Lawn and Landscape, K & C Maintenance Services, and Jack's Lawn Service & Nursery totaled \$20,902.50.

B. CASH COLLECTIONS TOTALING \$828.79 WERE NOT DEPOSITED TO THE SOLID WASTE DISPOSAL FUND RESULTING IN A CASH SHORTAGE

The solid waste director took collections receipted at the landfill office and carried them to the solid waste office where the collections were then summarized, assigned a revenue account number, and deposited with the county trustee. However, collections totaling \$828.79 had not been deposited to the Solid Waste Disposal Fund or accounted for in any manner.

This finding has been reviewed with the district attorney general.

RECOMMENDATION

County officials should take immediate steps to collect the \$21,731.29 cash shortage. To strengthen internal control over cash collections and deposits, collections should be deposited intact within three days of collection.

FINDING 06.02 A VENDOR'S INVOICE WAS REPRODUCED ON THE SOLID WASTE DEPARTMENT'S COMPUTER
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our review discovered that one invoice for excavation work totaling \$3,800 had been generated on a computer at the Solid Waste Department. Our inquiry of the solid waste director and the vendor revealed that the original invoice had been lost, and the vendor and solid waste director agreed to reproduce the invoice by using the Solid Waste Department's computer. This practice is an internal control weakness. We extended our audit procedures and determined the excavation services were rendered.

RECOMMENDATION

Vendor invoices should never be produced on county equipment. The county should have requested the vendor forward a replacement invoice to the department.

FINDING 06.03

THE COUNTY PAID FOR SERVICES NOT INCLUDED IN THE SOLID WASTE DISPOSAL CONTRACTS

(Internal Control – Reportable Condition Under Government Auditing Standards)

Hardeman County has contracted with CNP Waste Company (CNP) for the last ten years for solid waste collection services as evidenced by two separate contracts. The first contract became effective July 26, 1996, and the second contract was effective July 1, 2004.

The July 1996 contract provided for CNP to receive \$10,968.75 per month for solid waste collection services consisting of furnishing a minimum of 125 containers plus the pickup and emptying of each container. Any containers in excess of 125 would be available for a fee of \$87.75 per month. From the first billing in August 1996 through July 2000, CNP billed Hardeman County \$10,968.75 per month. However, in addition, CNP billed the county for various clean-ups at road sites (\$2,878.75), transportation of open top containers (\$1,650), and the collection of extra dumpsters (\$1,755). Provisions for these additional charges were not included in the contract; however, these additional charges had been approved for payment by the county mayor.

In a letter dated May 3, 2000, the county mayor informed CNP of the county's desire to allow the contract for waste collection to expire at the end of the contract period (August 1, 2000); however, the contract was not terminated, but the monthly fee was increased to \$16,321.50 by oral agreement. From August 1, 2000, through June 30, 2004, CNP was paid \$216,285 in addition to the \$16,321.50 monthly fee, for cleanup at various sites and the transportation of open top containers. All of these disbursements (\$983,395.50) were paid without the benefit of a written contract, but with the approval of the county mayor. It should be noted that in the approximate four-year period from July 1996 through July 2000, the county paid CNP approximately \$4,500 for clean-up at road sites and transport of open top containers. For the approximate four-year period beginning August 2000, the county paid \$216,285 for the same type services.

Effective July 1, 2004, Hardeman County contracted with CNP to provide for a convenience center collection system consisting of six two cubic yard stationary compactors and six forty cubic yard compactor receiver boxes. This contract provides for CNP to transport 80 loads per month from the convenience centers to the landfill. Hardeman County is to pay CNP \$16,997 a month for these services. Any additional loads above 80 will be paid at a rate of \$160 per load. The Hardeman County Commission approved this contract on July 20, 2004; however, the county mayor and CNP agreed that the contract would not be implemented until December 1, 2004. From July 1, 2004, through November 30, 2004, the county continued to pay CNP \$16,321.50 per month.

Starting December 1, 2004, CNP billed Hardeman County \$16,997 per month as provided in the contract. In addition, CNP continued to bill Hardeman County for additional services not included in the contract. These additional services total \$141,542.19 for the period December 1, 2004, through August 31, 2006, and were for the transport of the open top containers (\$101,062.94), the collection of dumpsters (\$26,683.80), the purchase of three eight-yard containers (\$1,000), the relocation of four eight-yard containers (\$1,200), the maintenance on compactors units (\$10,695.45) and the rental of containers (\$900). All of

these additional charges were approved by oral agreement between the county mayor, the solid waste director, and CNP.

RECOMMENDATION

County officials should take immediate steps to ensure that all services to be provided by the contractor for solid waste collection are addressed in the contract. All contracts and any changes to contract services or terms should be approved by the Hardeman County Commission.

FINDING 06.04 THE OFFICE HAD DEFICIENCIES IN PROCESSING VENDOR PAYMENTS
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our examination of vendor payments revealed the following deficiencies:

- A. A vendor submitted a \$2,800 proposal to the County Mayor's Office for the purchase and installation of a surveillance system at the Van Buren convenience center. The proposal was processed through the accounting system, and the vendor was paid the \$2,800. However, the county never received the surveillance system, and all efforts to contact the vendor have failed.
- B. On August 8, 2006, an invoice for \$4,850 was paid to a vendor for a lowboy trailer for the county landfill. On September 7, 2006, we reviewed this invoice with the landfill supervisor and determined that the trailer had not been received by the county. After our discussion with the landfill supervisor, efforts were made to obtain the trailer. The county now has the trailer; however, the invoice was paid prior to the county receiving the trailer.
- C. A vendor was paid twice for the same services. This occurred when the vendor was paid from a monthly statement and paid again from an invoice included with that monthly statement. A receivable of \$1,425 has been reflected in the financial statements of the Solid Waste Disposal Fund.
- D. A vendor was overpaid \$600 due to an undetected error on the vendor's monthly statement. The beginning balance on the monthly statement was overstated, and the county paid this erroneous amount. A receivable has been reflected in the financial statements of the General Fund for the overpayment.

RECOMMENDATION

Documentation should be obtained indicating that goods have been received and/or services have been rendered before invoices are paid. The county should begin legal process to

recover the \$2,800 payment for the surveillance system. Invoices and monthly statements should be reviewed for accuracy and cancelled when paid. Officials should ensure the overpayments are reimbursed.

FINDING 06.05 THE SOLID WASTE DISPOSAL FUND HAD A DEFICIT IN UNRESTRICTED NET ASSETS
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Solid Waste Disposal Fund had a deficit of \$1,560,854 in unrestricted net assets at June 30, 2006. This deficit primarily resulted from the recognition of a liability (\$2,265,041) in the fund's financial statements for costs associated with closing the county's landfill and monitoring the landfill for 30 years after its closure. Generally accepted accounting principles and state statutes require that such costs be reflected in the financial statements.

RECOMMENDATION

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

FINDING 06.06 THE OFFICE DID NOT SOLICIT COMPETITIVE BIDS FOR SOME APPLICABLE PURCHASES
(Noncompliance Under Government Auditing Standards)

Competitive bids were not solicited for the purchase of food for the jail (\$110,632) and a waste cover for the landfill (\$13,425). Purchasing procedures for the Hardeman County Mayor's Office are governed by Chapter 90, Private Acts of 1989, as amended, which requires the solicitation of bids through newspaper advertisements for all purchases exceeding \$5,000.

RECOMMENDATION

Competitive bids should be solicited through newspaper advertisements for all purchases exceeding \$5,000.

FINDING 06.07 PURCHASE ORDERS WERE NOT ISSUED FOR PURCHASES UNDER \$5,000
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

RECOMMENDATION

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

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 06.08 THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our audit revealed that in some instances the office issued purchase orders after purchases were made. This practice defeats the purpose of issuing a purchase order and makes the purchase order an approval for payment, rather than approval for the purchase.

RECOMMENDATION

The office should improve purchasing procedures by ensuring that purchase orders are issued and approved before purchases are made.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

We have communicated to all personnel that our present policy is to be followed. No purchases are to be made without first obtaining a purchase order from the appropriate accounts payable personnel.

FINDING 06.09 PAYROLL TAXES WERE NOT PROPERLY DEPOSITED ON A TIMELY BASIS
(Noncompliance Under Government Auditing Standards)

Payroll taxes were not deposited with the Internal Revenue Service (IRS) on a timely basis for the quarter ended December 31, 2005. As a result, the office was required to pay interest and penalty charges totaling \$1,096.04 to the IRS in April 2006. IRS Circular E – Employer’s Tax Guide requires employers to deposit employee payroll taxes in a U.S. Treasury bank account within three days of each payroll.

RECOMMENDATION

The office should properly deposit payroll taxes on a timely basis to avoid interest and penalty charges.

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS

We agree with this finding; however, we have sent a letter to the Internal Revenue Service asking for abatement of this penalty. To our knowledge this is the first time that the payroll taxes were not deposited on a timely basis and this resulted from the extended absence of a key person.

OTHER FINDING AND RECOMMENDATION

FINDING 06.10 A CENTRAL SYSTEM OF ACCOUNTING AND BUDGETING HAD NOT BEEN ADOPTED
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

RECOMMENDATION

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

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

There were no findings and questioned costs for federal awards.

HARDEMAN COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2006

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.