

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

DEPARTMENT OF AUDIT
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Comptroller of the Treasury

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

HARDIN COUNTY, TENNESSEE TABLE OF CONTENTS

	Exhibit	Page(s)
Audit Highlights		1
<u>INTRODUCTORY SECTION</u>		3
Hardin County Officials		5
<u>FINANCIAL SECTION</u>		7
Independent Auditor's Report		9-11
BASIC FINANCIAL STATEMENTS:		13
Government-wide Financial Statements:		
Statement of Net Assets	A	15-17
Statement of Activities	B	18-19
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	20-21
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	22
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	23-24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	25
Proprietary Fund:		
Statement of Net Assets	D-1	26
Statement of Revenues, Expenses, and Changes in Net Assets	D-2	27
Statement of Cash Flows	D-3	28-29
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	E	30
Notes to the Financial Statements		31-79
REQUIRED SUPPLEMENTARY INFORMATION:		81
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	F-1	83-86
Highway/Public Works Fund	F-2	87
Notes to the Required Supplementary Information		89

	Exhibit	Page(s)
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		91
Nonmajor Governmental Funds:		93
Combining Balance Sheet	G-1	95
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	G-2	96
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
Solid Waste/Sanitation Fund	G-3	97
Drug Control Fund	G-4	98
Major Governmental Funds:		99
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Debt Service Fund	H-1	101
Rural Debt Service Fund	H-2	102
Fiduciary Funds:		103
Combining Statement of Fiduciary Assets and Liabilities	I-1	105
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	I-2	106
Component Unit:		107
Discretely Presented Hardin County School Department:		
Statement of Activities	J-1	109
Balance Sheet – Governmental Funds	J-2	110
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	J-3	111
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	J-4	112
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	J-5	113
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	J-6	114-115
School Federal Projects Fund	J-7	116
Central Cafeteria Fund	J-8	117
Proprietary Fund:		
Statement of Net Assets	J-9	118
Statement of Revenues, Expenses, and Changes in Net Assets	J-10	119
Statement of Cash Flows	J-11	120
Miscellaneous Schedules:		121
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds – Primary Government and Discretely Presented Hardin County School Department	K-1	123
Schedule of Bond and Interest Requirements by Year	K-2	124
Schedule of Transfers	K-3	125

Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Hardin County School Department	K-4	126
Schedule of Detailed Revenues – All Governmental Fund Types	K-5	127-131
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Hardin County School Department	K-6	132-133
Schedule of Detailed Expenditures – All Governmental Fund Types	K-7	134-151
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Hardin County School Department	K-8	152-165
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	K-9	166
<u>SINGLE AUDIT SECTION</u>		167
Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>		169-170
Auditor’s Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>		171-172
Other Auditor’s Report on Park Rest Hardin County Health Center: Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>		173
Other Auditor’s Report on Hardin Medical Center: Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>		174
Other Auditor’s Report on Hardin County Emergency Communications District: Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>		175-176
Schedule of Expenditures of Federal Awards and State Grants		177-178
Schedule of Audit Findings Not Corrected		179
Schedule of Findings and Questioned Costs		181-185
Auditee Reporting Responsibilities		187

Audit Highlights

Annual Financial Report
Hardin County, Tennessee
For the Year Ended June 30, 2006

Scope

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

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ The Employee Insurance Fund had a net assets deficit at June 30, 2006, resulting from the department's incurring medical claims exceeding self-insurance premiums.
- ◆ Expenditures and encumbrances exceeded appropriations approved by the County Commission at the major appropriation category level of control (the legal level of control) in the General Purpose School and School Federal Projects Funds. Also, in numerous instances, General Purpose School Fund and School Federal Projects Fund salaries exceeded line-item appropriations approved by the County Commission.

OFFICE OF REGISTER

- ◆ The register did not require a depository to pledge securities to protect county funds exceeding Federal Deposit Insurance Corporation coverage.

OTHER FINDINGS

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

INTRODUCTORY SECTION

Hardin County Officials
June 30, 2006

Officials

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

Board of County Commissioners

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

Budget Committee

Ernie Bidbie	Charles Howard
Larry Franks	Roger Jenkins
Tom Haggard	Mike Jerrolds
Wally Hamilton	Fred McFalls, Jr.
James Hopper	James Whitehorn, Sr.

Highway Commission

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

Board of Education

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

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

December 8, 2006

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise Hardin County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hardin County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Park Rest Hardin County Health Center (the entire business-type activities and a major fund). Nor did we audit the financial statements of the discretely presented Hardin Medical Center (which represent 53.6 percent and 48.4 percent, respectively, of the assets and revenues of the aggregate discretely presented component units) or the discretely presented Hardin County Emergency Communications District (which represent .9 percent and .4 percent, respectively, of the assets and revenues of the aggregate discretely presented component units). These financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Park Rest Hardin County Health Center, the Hardin Medical Center, and the Hardin County Emergency Communications District, is based on the reports of the other auditors.

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

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, Tennessee, as of June 30, 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 December 8, 2006, on our consideration of Hardin County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note V.B., Hardin County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 42, Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries and GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an Amendment of GASB Statement No. 34.

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

The budgetary comparison information on pages 83 through 89 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hardin County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund and the Rural Debt Service Fund, combining and individual fund financial statements of the Hardin County School Department (a discretely presented component unit), 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 and the Rural Debt Service Fund, combining and individual fund financial statements of the Hardin County School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/rc

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Primary Government			Component Units		
	Governmental Activities	Business- type Activities	Total	Hardin County School Department	Hardin Medical Center	Emergency Communications District
<u>ASSETS</u>						
Cash	\$ 47,406	\$ 25,251	\$ 72,657	\$ 0	\$ 5,224,890	\$ 174,833
Equity in Pooled Cash and Investments	7,628,887	0	7,628,887	1,072,119	0	0
Inventories	0	6,434	6,434	0	850,824	0
Accounts Receivable	321,286	504,916	826,202	4,881	5,873,312	17,689
Due from Other Governments	1,069,387	0	1,069,387	1,135,399	0	0
Due from Component Units	102,509	0	102,509	0	0	0
Property Taxes Receivable	3,292,134	0	3,292,134	4,346,446	0	0
Allowance for Uncollectible Property Taxes	(151,710)	0	(151,710)	(190,755)	0	0
Prepaid Items	230,512	6,159	236,671	0	230,341	0
Accrued Interest Receivable	38,917	0	38,917	0	0	0
Other Current Assets	0	0	0	0	577,440	0
Restricted Assets:						
Patient Trust	0	3,228	3,228	0	7,058	0
Utility Deposits	0	0	0	0	30	0
Deferred Charges - Debt Issuance Cost	64,392	0	64,392	0	0	0
Capital Assets:						
Assets Not Depreciated:						
Land	1,796,254	26,700	1,822,954	904,172	34,500	0
Construction in Progress	0	0	0	0	470,024	23,755
Assets Net of Accumulated Depreciation:						
Land Improvements	0	0	0	0	122,523	0
Buildings and Improvements	3,013,705	543,679	3,557,384	14,611,001	9,763,550	9,275
Infrastructure	865,589	0	865,589	0	0	0
Other Capital Assets	1,282,240	39,952	1,322,192	856,832	3,566,480	208,581
Total Assets	\$ 19,601,508	\$ 1,156,319	\$ 20,757,827	\$ 22,740,095	\$ 26,720,972	\$ 434,133

(Continued)

Exhibit A

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

	Primary Government			Component Units		
	Governmental Activities	Business- type Activities	Total	Hardin County School Department	Hardin Medical Center	Emergency Communications District
<u>LIABILITIES</u>						
Accounts Payable	\$ 115,838	\$ 70,636	\$ 186,474	\$ 154,934	\$ 817,079	\$ 4,033
Accrued Management Fee	0	812,417	812,417	0	0	0
Other Accrued Expenses	0	136,388	136,388	0	632,461	151
Accrued Payroll	51,442	0	51,442	0	291,111	0
Payroll Deductions Payable	3,935	0	3,935	123,776	0	0
Accrued Interest Payable	33,536	0	33,536	1,915	0	0
Due to Primary Government	0	0	0	102,509	0	0
Current Liabilities Payable from Restricted Assets:						
Patient Trust	0	3,228	3,228	0	7,058	0
Deferred Revenue - Current Property Taxes	2,979,346	0	2,979,346	3,963,560	0	0
County Drug Court Fees	12,343	0	12,343	0	0	0
Noncurrent Liabilities:						
Due Within One Year	1,781,725	84,368	1,866,093	153,752	619,482	
Due in More Than One Year	5,806,294	0	5,806,294	340,158	7,266,000	0
Total Liabilities	\$ 10,784,459	\$ 1,107,037	\$ 11,891,496	\$ 4,840,604	\$ 9,633,191	\$ 4,184
<u>NET ASSETS</u>						
Invested in Capital Assets, Net of Related Debt	\$ 5,747,890	\$ 525,963	\$ 6,273,853	\$ 16,276,232	\$ 6,495,077	\$ 0
Invested in Capital Assets	0	0	0	0	0	241,611
Restricted for:						
Highway/Public Works	601,245	0	601,245	0	0	0
Solid Waste/Sanitation	424,975	0	424,975	0	0	0
Jail Construction	373,205	0	373,205	0	0	0
Resort District	31,634	0	31,634	0	0	0
Debt Service	4,221,589	0	4,221,589	0	0	0
Capital Projects	5,934	0	5,934	0	0	0

(Continued)

Exhibit A

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

	Primary Government			Component Units		
	Governmental Activities	Business- type Activities	Total	Hardin County School Department	Hardin Medical Center	Emergency Communications District
<u>NET ASSETS (Cont.)</u>						
Restricted for: (Cont.)						
Food Service	0	0	0	713,318	0	0
School Federal Projects	0	0	0	136,593	0	0
Basic Education Program	0	0	0	72,354	0	0
Career Ladder - Extended Contract	0	0	0	52,518	0	0
Other Purposes	295,526	0	295,526	43,083	0	0
Unrestricted	(2,884,949)	(476,681)	(3,361,630)	605,393	10,592,704	188,338
Total Net Assets	\$ 8,817,049	\$ 49,282	\$ 8,866,331	\$ 17,899,491	\$ 17,087,781	\$ 429,949

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

Exhibit B

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets						
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units			
					Total Governmental Activities	Business- type Activities	Total	Hardin County School Department	Hardin Medical Center	Emergency Communications District	
Primary Government:											
Governmental Activities:											
General Government	\$ 720,374	\$ 329,928	\$ 16,380	\$ 0	\$ (374,066)	\$ 0	\$ (374,066)	\$ 0	\$ 0	\$ 0	
Finance	833,806	609,671	14,543	0	(209,592)	0	(209,592)	0	0	0	
Administration of Justice	582,309	485,561	9,430	0	(87,318)	0	(87,318)	0	0	0	
Public Safety	3,320,131	82,187	106,805	542,721	(2,588,418)	0	(2,588,418)	0	0	0	
Public Health and Welfare	1,536,934	147,140	197,765	26,526	(1,165,503)	0	(1,165,503)	0	0	0	
Social, Cultural, and Recreational Services	424,435	57,600	35,277	0	(331,558)	0	(331,558)	0	0	0	
Agriculture and Natural Resources	124,203	65,599	0	0	(58,604)	0	(58,604)	0	0	0	
Other Operations	429,566	1,200	0	0	(428,366)	0	(428,366)	0	0	0	
Highways/Public Works	2,919,968	0	2,111,723	174,069	(634,176)	0	(634,176)	0	0	0	
Education	826,556	0	0	0	(826,556)	0	(826,556)	0	0	0	
Interest on Long-term Debt	498,262	0	1,766,629	0	1,268,367	0	1,268,367	0	0	0	
Other Debt Service	96,641	0	0	0	(96,641)	0	(96,641)	0	0	0	
Total Governmental Activities	\$ 12,313,185	\$ 1,778,886	\$ 4,258,552	\$ 743,316	\$ (5,532,431)	\$ 0	\$ (5,532,431)	\$ 0	\$ 0	\$ 0	
Business-type Activities:											
Park Rest Hardin County Health Center	\$ 2,415,489	\$ 2,437,456	\$ 0	\$ 0	\$ 0	\$ 21,967	\$ 21,967	\$ 0	\$ 0	\$ 0	
Total Primary Government	\$ 14,728,674	\$ 4,216,342	\$ 4,258,552	\$ 743,316	\$ (5,532,431)	\$ 21,967	\$ (5,510,464)	\$ 0	\$ 0	\$ 0	
Component Units:											
School Department	\$ 27,873,427	\$ 858,248	\$ 3,401,145	\$ 826,556	\$ 0	\$ 0	\$ 0	\$ (22,787,478)	\$ 0	\$ 0	
Hardin Medical Center	24,869,371	24,646,961	381,070	0	0	0	0	0	158,660	0	
Emergency Communications District	208,643	177,635	0	0	0	0	0	0	0	(31,008)	
Total Component Units	\$ 52,951,441	\$ 25,682,844	\$ 3,782,215	\$ 826,556	\$ 0	\$ 0	\$ 0	\$ (22,787,478)	\$ 158,660	\$ (31,008)	

(Continued)

Exhibit B

Hardin County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets						
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		
					Total Governmental Activities	Business- type Activities	Total	Hardin County School Department	Hardin Medical Center	Emergency Communications District
General Revenues:										
Taxes:										
Property taxes levied for general purposes					\$ 3,329,458	\$ 0	\$ 3,329,458	\$ 4,161,981	\$ 0	\$ 0
Property taxes levied for debt service					168,377	0	168,377	0	0	0
Local option sales tax					1,662,729	0	1,662,729	3,043,777	0	0
Other local taxes					1,616,241	0	1,616,241	433	0	0
Grants and Contributions not restricted for specific programs					569,251	0	569,251	15,275,764	100,000	30,000
Unrestricted Investment Earnings					240,027	434	240,461	0	219,168	915
Miscellaneous					103,336	3,666	107,002	63,723	4,995	0
Total General Revenues					\$ 7,689,419	\$ 4,100	\$ 7,693,519	\$ 22,545,678	\$ 324,163	\$ 30,915
Extraordinary Item - Fire Damage					\$ 88,690	\$ 0	\$ 88,690	\$ 0	\$ 0	\$ 0
Change in Net Assets					\$ 2,245,678	\$ 26,067	\$ 2,271,745	\$ (241,800)	\$ 482,823	\$ (93)
Net Assets, July 1, 2005					5,783,850	23,215	5,807,065	18,141,291	16,604,958	430,042
Prior Period Adjustment					787,521	0	787,521	0	0	0
Net Assets, June 30, 2006					\$ 8,817,049	\$ 49,282	\$ 8,866,331	\$ 17,899,491	\$ 17,087,781	\$ 429,949

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

Exhibit C-1

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

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Rural Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 47,406	\$ 47,406
Equity in Pooled Cash and Investments	3,741,747	57,836	2,109,311	1,378,568	341,425	7,628,887
Accounts Receivable	120,952	21,885	96,028	0	82,421	321,286
Due from Other Governments	174,529	521,548	0	213,977	159,333	1,069,387
Due from Other Funds	47,406	0	0	0	0	47,406
Due from Component Units	0	0	0	102,509	0	102,509
Property Taxes Receivable	2,910,496	213,757	167,881	0	0	3,292,134
Allowance for Uncollectible Property Taxes	(134,683)	(9,500)	(7,527)	0	0	(151,710)
Prepaid Items	0	0	230,512	0	0	230,512
Accrued Interest Receivable	38,917	0	0	0	0	38,917
Total Assets	\$ 6,899,364	\$ 805,526	\$ 2,596,205	\$ 1,695,054	\$ 630,585	\$ 12,626,734
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 87,904	\$ 0	\$ 0	\$ 0	\$ 27,934	\$ 115,838
Accrued Payroll	44,014	0	0	0	7,428	51,442
Payroll Deductions Payable	3,367	0	0	0	568	3,935
Due to Other Funds	0	0	0	0	47,406	47,406
Due to State of Tennessee	12,343	0	0	0	0	12,343
Deferred Revenue - Current Property Taxes	2,632,201	194,554	152,591	0	0	2,979,346
Deferred Revenue - Delinquent Property Taxes	132,977	8,970	7,188	0	0	149,135
Other Deferred Revenues	123,955	165,339	0	111,468	81,961	482,723
Total Liabilities	\$ 3,036,761	\$ 368,863	\$ 159,779	\$ 111,468	\$ 165,297	\$ 3,842,168
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 37,372	\$ 0	\$ 0	\$ 0	\$ 0	\$ 37,372
Reserved for Resort District	31,634	0	0	0	0	31,634
Reserved for Purchase of Electronic Fingerprint Imaging	0	0	0	0	5,000	5,000
Reserved for Alcohol and Drug Treatment	96,614	0	0	0	0	96,614
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	32,481	0	0	0	0	32,481

(Continued)

Exhibit C-1

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

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Rural Debt Service	Other Govern- mental Funds	
Reserved for Sexual Offender Registration	\$ 1,100	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,100
Reserved for Courtroom Security	56	0	0	0	0	56
Reserved for Computer System - Register	1,284	0	0	0	0	1,284
Reserved for Automation Purposes - Circuit Court	1,057	0	0	0	0	1,057
Reserved for Automation Purposes - General Sessions Court	9,401	0	0	0	0	9,401
Reserved for Automation Purposes - Chancery Court	6,471	0	0	0	0	6,471
Reserved for Automation Purposes - Sheriff	30,723	0	0	0	0	30,723
Reserved for Other General Purposes	373,205	0	0	0	0	373,205
Unreserved, Reported In:						
General Fund	3,241,205	0	0	0	0	3,241,205
Special Revenue Funds	0	436,663	0	0	454,354	891,017
Debt Service Funds	0	0	2,436,426	1,583,586	0	4,020,012
Capital Projects Funds	0	0	0	0	5,934	5,934
Total Fund Balances	\$ 3,862,603	\$ 436,663	\$ 2,436,426	\$ 1,583,586	\$ 465,288	\$ 8,784,566
Total Liabilities and Fund Balances	\$ 6,899,364	\$ 805,526	\$ 2,596,205	\$ 1,695,054	\$ 630,585	\$ 12,626,734

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

Exhibit C-2

Hardin County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 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)		\$ 8,784,566
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 1,796,254	
Add: buildings and improvements net of accumulated depreciation	3,013,705	
Add: infrastructure net of accumulated depreciation	865,589	
Add: other capital assets net of accumulated depreciation	<u>1,282,240</u>	6,957,788
(2) Long-term liabilities are not due in the current period and therefore are not reported in the funds.		
Less: notes payable	\$ (713,750)	
Less: capital leases payable	(816,898)	
Less: bonds payable	(5,720,000)	
Add: deferred amount on refunding	111,050	
Add: deferred charges - debt issuance costs	64,392	
Less: compensated absences payable	(87,658)	
Less: landfill closure/postclosure care costs	(324,031)	
Less: accrued interest on bonds, notes, and capital leases	(33,536)	
Less: other deferred revenue - premium on debt	<u>(36,732)</u>	(7,557,163)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		<u>631,858</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 8,817,049</u>

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

Exhibit C-3

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

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Rural Debt Service	Other Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 4,195,384	\$ 437,086	\$ 171,456	\$ 1,158,638	\$ 867,060	\$ 6,829,624
Licenses and Permits	79,751	0	0	0	0	79,751
Fines, Forfeitures, and Penalties	178,532	0	0	0	43,509	222,041
Charges for Current Services	32,192	0	0	0	144,158	176,350
Other Local Revenues	351,617	42,429	81,391	21,722	4,292	501,451
Fees Received from County Officials	1,094,603	0	0	0	0	1,094,603
State of Tennessee	718,886	2,297,401	14,310	0	92,483	3,123,080
Federal Government	486,025	103,631	0	0	0	589,656
Other Governments and Citizens Groups	64,909	0	778,872	1,147,620	5,546	1,996,947
Total Revenues	\$ 7,201,899	\$ 2,880,547	\$ 1,046,029	\$ 2,327,980	\$ 1,157,048	\$ 14,613,503
<u>Expenditures</u>						
Current:						
General Government	\$ 902,112	\$ 0	\$ 0	\$ 0	\$ 0	\$ 902,112
Finance	597,685	0	0	0	0	597,685
Administration of Justice	445,801	0	0	0	0	445,801
Public Safety	3,168,042	0	0	0	33,599	3,201,641
Public Health and Welfare	436,308	0	0	0	936,646	1,372,954
Social, Cultural, and Recreational Services	223,717	0	0	0	0	223,717
Agricultural and Natural Resources	93,905	0	0	0	0	93,905
Other Operations	1,285,250	0	0	0	148,049	1,433,299
Highways	0	2,727,566	0	0	0	2,727,566
Debt Service:						
Principal on Debt	0	0	709,750	1,946,556	0	2,656,306
Interest on Debt	0	0	288,346	220,538	0	508,884
Other Debt Service	0	0	27,727	11,965	0	39,692
Capital Projects	0	0	0	0	884,365	884,365
Total Expenditures	\$ 7,152,820	\$ 2,727,566	\$ 1,025,823	\$ 2,179,059	\$ 2,002,659	\$ 15,087,927
Excess (Deficiency) of Revenues Over Expenditures	\$ 49,079	\$ 152,981	\$ 20,206	\$ 148,921	\$ (845,611)	\$ (474,424)
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 87,500	\$ 0	\$ 0	\$ 0	\$ 826,556	\$ 914,056
Capital Leases Issued	429,882	0	0	0	0	429,882

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Rural Debt Service	Other Govern- mental Funds	
<u>Other Financing Sources (Uses) (Cont.)</u>						
Insurance Recovery	\$ 40,111	\$ 0	\$ 0	\$ 0	\$ 0	\$ 40,111
Transfers In	0	0	0	0	35,529	35,529
Transfers Out	(35,529)	0	0	0	0	(35,529)
Total Other Financing Sources (Uses)	\$ 521,964	\$ 0	\$ 0	\$ 0	\$ 862,085	\$ 1,384,049
Extraordinary Item - Fire Damage	\$ 88,690	\$ 0	\$ 0	\$ 0	\$ 0	\$ 88,690
Net Change in Fund Balances	\$ 659,733	\$ 152,981	\$ 20,206	\$ 148,921	\$ 16,474	\$ 998,315
Fund Balance, July 1, 2005	3,202,870	283,682	2,416,220	1,434,665	448,814	7,786,251
Fund Balance, June 30, 2006	\$ 3,862,603	\$ 436,663	\$ 2,436,426	\$ 1,583,586	\$ 465,288	\$ 8,784,566

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

Exhibit C-4

Hardin County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 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)		\$ 998,315
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 744,613	
Less: current year depreciation expense	<u>(703,658)</u>	40,955
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Less: loss on disposal of capital assets	\$ (23,414)	
Less: proceeds received from the disposal of assets	<u>(4,062)</u>	(27,476)
(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	\$ 631,858	
Less: deferred delinquent property taxes and other deferred June 30, 2005	<u>(591,534)</u>	40,324
(4) The issuance of long-term debt (e.g., bonds, notes, 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: note proceeds	\$ (914,056)	
Less: capital lease proceeds	(429,882)	
Add: change in premium on debt issuance	7,346	
Less: change in deferred debt issuance costs	(12,878)	
Add: principal payments on bonds	1,120,000	
Add: principal payments on notes	1,345,306	
Add: principal payments on capital leases	103,728	
Less: change in deferred amount on refunding debt	<u>(44,071)</u>	1,175,493
(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 governmental funds.		
Add: change in accrued interest payable	\$ 10,622	
Add: change in compensated absences	2,398	
Add: change in landfill closure/postclosure care costs	<u>5,047</u>	<u>18,067</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 2,245,678</u>

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

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

	Business-type Activities - Enterprise Fund <u>Major Fund</u> Park Rest Hardin County Health Center
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 25,251
Inventories	6,434
Accounts Receivable	504,916
Prepaid Items	6,159
Restricted Assets:	
Patient Trust	3,228
Total Current Assets	<u>\$ 545,988</u>
Noncurrent Assets:	
Capital Assets:	
Assets not Depreciated:	
Land	\$ 26,700
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	543,679
Other Capital Assets	39,952
Total Noncurrent Assets	<u>\$ 610,331</u>
Total Assets	<u>\$ 1,156,319</u>
<u>LIABILITIES</u>	
Current Liabilities	
Accounts Payable	\$ 70,636
Accrued Management Fee	812,417
Other Accrued Expenses	136,388
Current Liabilities Payable from Restricted Assets:	
Patient Trust	3,228
Total Current Liabilities	<u>\$ 1,022,669</u>
Noncurrent Liabilities	
Due Within One Year	\$ 84,368
Total Noncurrent Liabilities	<u>\$ 84,368</u>
Total Liabilities	<u>\$ 1,107,037</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 525,963
Net Assets - Unrestricted	<u>(476,681)</u>
Net Assets	<u>\$ 49,282</u>

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

Exhibit D-2

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

	Business-type Activities - Enterprise Fund
	<u>Major Fund</u>
	Park Rest Hardin County Health Center
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
Patient Revenues	\$ 2,437,456
Total Operating Revenues	<u>\$ 2,437,456</u>
<u>Operating Expenses</u>	
Administrative	\$ 868,659
Dietary	223,080
Housekeeping	95,897
Laundry	120,000
Operation and Maintenance	125,437
Nursing	877,617
Social Service	52,696
Depreciation	47,319
Total Operating Expenses	<u>\$ 2,410,705</u>
Operating Income	<u>\$ 26,751</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 434
Interest Expense	(4,784)
Other (net)	3,666
Total Nonoperating Revenues (Expenses)	<u>\$ (684)</u>
Net Income	<u>\$ 26,067</u>
Change in Net Assets	\$ 26,067
Net Assets, July 1, 2005	<u>23,215</u>
Net Assets, June 30, 2006	<u><u>\$ 49,282</u></u>

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

Exhibit D-3

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

	Business-type Activities - Enterprise Fund
	<u>Major Fund</u>
	<u>Park Rest</u>
	<u>Hardin County</u>
	<u>Health Center</u>
<u>Cash Flows From Operating Activities</u>	
Receipts from Patient Services	\$ 2,207,517
Payments to Suppliers	(879,967)
Payments to Employees	(1,320,350)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 7,200</u>
<u>Cash Flows From Investing Activities</u>	
Interest Income	\$ 434
Net Cash Provided By (Used In) Investing Activities	<u>\$ 434</u>
<u>Cash Flows From Capital and Related</u>	
<u>Financing Activities</u>	
Principal Paid to Hardin County Trustee	(83,872)
Interest Paid to Hardin County Trustee	\$ (4,784)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (88,656)</u>
<u>Cash Flows From Noncapital Financing Activities</u>	
Donations	\$ 3,666
Net Cash Flows Provided By (Used In) Noncapital Financing Activities	<u>\$ 3,666</u>
Net Increase (Decrease) in Cash	\$ (77,356)
Cash, July 1, 2005	<u>102,607</u>
Cash, June 30, 2006	<u><u>\$ 25,251</u></u>

(Continued)

Exhibit D-3

Hardin County, Tennessee
Statement of Cash Flows
Proprietary Fund (Cont.)

	Business-type Activities - Enterprise Fund
	<u>Major Fund</u>
	<u>Park Rest</u>
	<u>Hardin County</u>
	<u>Health Center</u>
<u>Reconciliation of Net Operating Income (Loss)</u>	
<u>to Net Cash Provided By (Used In) Operating Activities</u>	
Operating Income	\$ 26,751
Adjustments to Reconcile Net Operating Income	
to Net Cash Provided by Operating Activities:	
Depreciation	47,319
Changes in Assets and Liabilities:	
Accounts Receivable	(229,939)
Due from Hardin Home	896
Prepaid Insurance	14,520
Inventory	768
Accounts Payable	21,928
Accrued Management Fee	124,181
Accrued Expenses	776
	<u>776</u>
Net Cash Provided By Operating Activities	<u>\$ 7,200</u>

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

Exhibit E

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 823,948
Due from Other Governments	<u>242,806</u>
Total Assets	<u>\$ 1,066,754</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 242,806
Due to Litigants, Heirs, and Others	<u>823,948</u>
Total Liabilities	<u>\$ 1,066,754</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

The Hardin County School Department operates the public school system in the county, and the voters of Hardin County elect its board. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

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

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

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

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

Administrative Offices:

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

Hardin Medical Center
935 Wayne Road
Savannah, TN 38372

B. Government-wide and Fund Financial Statements

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

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

Hardin County issues all debt for the discretely presented Hardin County School Department. Net debt issues (\$826,556) were contributed by the county to the School Department during the year ended June 30, 2006.

Separate financial statements are provided for governmental funds, proprietary funds (internal service and enterprise), and fiduciary funds. The internal service fund is reported with the governmental activities in the government-wide financial statements of the discretely presented Hardin County School Department, and the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and the major enterprise fund 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 Hardin County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Hardin County only reports one proprietary fund, a major enterprise fund, and the discretely presented School Department reports one proprietary fund, an internal service fund.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay

liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Hardin County considers 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 funds and fiduciary funds 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.

Hardin County reports the following major governmental funds:

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

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

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

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

Hardin County reports the following major enterprise fund:

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

Additionally, Hardin County reports the following fund types:

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

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

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

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

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

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide 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 the same limitations. Hardin 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 (enterprise fund) used to account for a health care center. The discretely presented School Department has one proprietary fund (internal service fund) used to account for a self-insurance dental program. Operating revenues and expenses generally result from providing services in connection with the funds' principal ongoing operations. The principal operating revenue of the county's proprietary fund is charges for services. The principal operating revenue for the discretely presented School Department's internal service fund is self-insurance premiums. Operating expenses include administrative expenses and dental claims.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

For purposes of the statement of cash flows, cash in the internal service fund of the discretely presented Hardin County School Department consists entirely of equity in pooled cash and investments with the county trustee.

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

The county trustee maintains a cash and internal investment pool that is used by all funds (excluding the Park Rest Hardin County Health Center) and the discretely presented Hardin County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Fund. Hardin County and the Hardin County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices

if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

All property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.34 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. Prepaid Items

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

4. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental 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 (buildings and improvements \$10,000, motor vehicles \$10,000, heavy trucks \$25,000, equipment \$30,000, and infrastructure \$50,000) or more and an estimated useful life of more than 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	20-25
Other Capital Assets	5-15
Infrastructure:	
Roads	16
Bridges	30

5. Compensated Absences

It is the county's policy to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from service.

The discretely presented Hardin County School Department does not allow most classes of employees to accumulate vacation days beyond their anniversary date, and therefore, any balances at year-end would be immaterial. The Hardin County Highway Department allows its

employees to accrue no more than five vacation days at year-end, except with special permission from the Highway Commissioner. All vacation leave for the Highway Department is accrued when incurred in the government-wide statements for the county. A liability for vacation leave is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

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

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

6. Long-term Obligations

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

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

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

7. **Net Assets and Fund Equity**

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

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

The government-wide statement of net assets reports \$5,954,108 of restricted net assets, of which \$31,634 is restricted by enabling legislation.

As of June 30, 2006, Hardin County had \$6,040,750 in outstanding debt for capital purposes for the discretely presented Hardin County School Department. This debt is a liability of Hardin County, but the capital assets acquired are reported in the financial statements of the Hardin County School Department. Therefore, Hardin County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county’s capital assets.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The following table reflects designations on June 30, 2006:

<u>Fund/Purpose</u>	<u>Amount</u>
General:	
Walking Trail	\$ 3,118
Circuit Court Computers	46,750
GREAT Program	9,708
Fire Department	130,734
Solid Waste/Sanitation (nonmajor fund):	
Solid Waste Truck	40,000

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 Hardin 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 change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

Discretely Presented Hardin County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers – Fees Fund (special revenue fund) which is not budgeted, and 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 Hardin 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, County Mayor, etc.). Management may make revisions within major categories, but only the Hardin 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 Employee Insurance Fund (internal service fund) of the discretely presented Hardin County School Department had an unrestricted net assets deficit of \$6,994 at June 30, 2006. This deficit resulted from the School Department incurring medical claim expenditures exceeding self-insurance premiums.

C. Expenditures and Encumbrances Exceeded Appropriations

Expenditures and encumbrances exceeded appropriations approved by the County Commission in the following funds' major appropriation categories (the legal level of control):

Fund	Major Appropriation Category	Amount
General Purpose School	Instruction- Adult Education Program	\$ 10,071
"	Support Services- Maintenance of Plant	2,940
"	Other Debt Service- Education	21,970
School Federal Projects	Instruction- Regular Instruction Program	2,994
"	Instruction- Special Education Program	135,589
"	Instruction- Vocational Education Program	1,937
"	Support Services- Special Education Program	759

Also, in numerous instances, salaries exceeded line-item appropriations in the General Purpose School and School Federal Projects Funds. Such overexpenditures are a violation of state statutes. These overexpenditures were funded from available fund balance.

D. The County Had Deposits That Were Exposed to Custodial Credit Risk

The register did not require a depository holding county funds to pledge securities to protect funds that exceeded Federal Deposit Insurance

Corporation (FDIC) coverage. At June 30, 2006, deposits at this depository exceeded FDIC coverage by \$195,386. Section 5-8-201, Tennessee Code Annotated, provides for county officials to require any bank that is a depository of county funds to deposit in an escrow account in a second bank collateral security equal to 105 percent of such county funds.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

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

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, Hardin County's deposits may not be returned to it. Hardin County does not have a formal policy that limits custodial credit risk for deposits. Separate disclosures concerning bank balances of pooled deposits cannot be made for Hardin County (excluding Park Rest Hardin County Health Center, enterprise fund) and the discretely presented Hardin County School Department since both pool their deposits and investments through

the county trustee. As of June 30, 2006, bank balances of \$195,386 were exposed to custodial credit risk as follows:

Uninsured and uncollaterized	<u>\$ 195,386</u>
Total	<u><u>\$ 195,386</u></u>

The \$195,386 exposed to custodial credit risk was in nonpooled bank balances. Uninsured and uncollateralized deposits are a violation of state statutes.

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase.

The county had no pooled and nonpooled investments as of June 30, 2006.

B. Capital Assets

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

Primary Government

Governmental Activities:

	Balance 7-1-05	Prior Period Adjustment	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:					
Land	\$ 1,648,230	\$ 88,000	\$ 87,500	\$ (27,476)	\$ 1,796,254
Construction in Progress	0	699,521	0	(699,521)	0
Total Capital Assets Not Depreciated	<u>\$ 1,648,230</u>	<u>\$ 787,521</u>	<u>\$ 87,500</u>	<u>\$ (726,997)</u>	<u>\$ 1,796,254</u>

Governmental Activities (Cont.):

	Balance 7-1-05	Prior Period Adjustment	Increases	Decreases	Balance 6-30-06
Capital Assets					
Depreciated:					
Buildings and					
Improvements	\$ 4,679,980	\$ 0	\$ 779,508	\$ 0	\$ 5,459,488
Infrastructure	1,043,357	0	0	0	1,043,357
Other Capital					
Assets	4,103,490	0	577,126	(56,409)	4,624,207
Total Capital Assets					
Depreciated	\$ 9,826,827	\$ 0	\$ 1,356,634	\$ (56,409)	\$ 11,127,052
Less Accumulated					
Depreciation For:					
Buildings and					
Improvements	\$ 2,279,759	\$ 0	\$ 166,024	\$ 0	\$ 2,445,783
Infrastructure	120,354	0	57,414	0	177,768
Other Capital					
Assets	2,918,156	0	480,220	(56,409)	3,341,967
Total Accumulated					
Depreciation	\$ 5,318,269	\$ 0	\$ 703,658	\$ (56,409)	\$ 5,965,518
Total Capital Assets					
Depreciated, Net	\$ 4,508,558	\$ 0	\$ 652,976	\$ 0	\$ 5,161,534
Governmental Activities					
Capital					
Assets, Net	\$ 6,156,788	\$ 787,521	\$ 740,476	\$ (726,997)	\$ 6,957,788

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

Governmental Activities:

Finance	\$ 6,480
Public Safety	286,928
Public Health and Welfare	61,013
Social, Cultural, and Recreational Services	101,223
Agriculture and Natural Resources	12,661
Other Operations	11,665
Highways/Public Works	<u>223,688</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 703,658</u>

Discretely Presented Hardin County School Department

Governmental Activities:

	Balance 7-1-05	Increases	Balance 6-30-06
Capital Assets Not Depreciated:			
Land	\$ 379,172	\$ 525,000	\$ 904,172
Total Capital Assets Not Depreciated	<u>\$ 379,172</u>	<u>\$ 525,000</u>	<u>\$ 904,172</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 30,215,833	\$ 347,442	\$ 30,563,275
Other Capital Assets	3,223,012	165,988	3,389,000
Total Capital Assets Depreciated	<u>\$ 33,438,845</u>	<u>\$ 513,430</u>	<u>\$ 33,952,275</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 15,060,289	\$ 891,985	\$ 15,952,274
Other Capital Assets	2,288,449	243,719	2,532,168
Total Accumulated Depreciation	<u>\$ 17,348,738</u>	<u>\$ 1,135,704</u>	<u>\$ 18,484,442</u>
Total Capital Assets Depreciated, Net	<u>\$ 16,090,107</u>	<u>\$ (622,274)</u>	<u>\$ 15,467,833</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 16,469,279</u></u>	<u><u>\$ (97,274)</u></u>	<u><u>\$ 16,372,005</u></u>

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

Governmental Activities:

Instruction	\$ 526,507
Support Services	547,855
Operation of Non-Instructional Services	<u>61,342</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 1,135,704</u></u>

C. Interfund Receivables and Payables

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	\$ 47,406
Discretely Presented School Department:		
General Purpose School	School Federal Projects	228,645

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

Due to/from primary government and component units:

Receivable Fund	Payable Fund	Amount
Primary government:		
Rural Debt Service	Component unit: Hardin County School Department: General Purpose Schools	\$ 102,509

Interfund Transfers:

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

Primary Government

Transfers Out	Transfers In Nonmajor Governmental Fund
General Fund	\$ 35,529
Total	<u>\$ 35,529</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend

them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

D. Contributions to Primary Government's Debt Service Funds

During the year, the discretely presented Hardin County School Department contributed \$1,385,823 from the General Purpose School Fund to the primary government's General Debt Service Fund (\$238,203) and Rural Debt Service Fund (\$1,147,620) to be applied toward the retirement of general obligation debt that was issued by the county for school capital purposes.

E. Capital Leases

Terms of capital lease obligations outstanding at June 30, 2006, are as follows:

Description	Date of Lease	Length of Lease in Years	Gross Amount of Assets	Interest Rate
Rescue Squad Truck	7-16-02	10	\$ 116,588	4.95 %
Fire Trucks	6-6-03	10	427,788	4.75
Fire Trucks	11-21-05	10	429,882	4.75

Title to the above-noted equipment transfers to Hardin County at the end of lease periods. The General Fund is making the lease payments.

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	\$ 123,879
2008	123,879
2009	123,879
2010	123,879
2011	123,878
2012-16	378,199
Total Minimum Lease Payments	\$ 997,593
Amount Representing Interest	(180,695)
Present Value of Minimum Lease Payments	\$ 816,898

F. Long-term Debt

Primary Government

General Obligation Bonds and Notes

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to nine years for bonds and up to 12 years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and notes included in long-term debt as of June 30, 2006, will be retired from the General Debt Service and Rural Debt Service Funds.

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

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
General Obligation Bonds -			
Refunding	2 to 3.75 %	\$ 9,865,000	\$ 5,720,000
Capital Outlay Notes	4 to 5.3	2,737,500	713,750
Capital Leases	4.75 to 4.95	974,258	816,898

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	\$ 1,180,000	\$ 186,937	\$ 439,167	\$ 27,506
2008	1,220,000	151,538	194,583	11,378
2009	1,260,000	114,937	80,000	4,160
2010	1,305,000	73,987	0	0
2011	755,000	28,313	0	0
Total	<u>\$ 5,720,000</u>	<u>\$ 555,712</u>	<u>\$ 713,750</u>	<u>\$ 43,044</u>

There is \$4,020,012 available in the debt service funds to service long-term debt. Bonded debt per capita totaled \$224, based on the 2000 federal census. Debt per capita, including bonds, notes, and capital leases totaled \$283, 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	Capital Leases
Balance, July 1, 2005	\$ 6,840,000	\$ 1,145,000	\$ 490,744
Additions	0	914,056	429,882
Deductions	(1,120,000)	(1,345,306)	(103,728)
Balance, June 30, 2006	<u>\$ 5,720,000</u>	<u>\$ 713,750</u>	<u>\$ 816,898</u>
Balance Due Within One Year	<u>\$ 1,180,000</u>	<u>\$ 439,167</u>	<u>\$ 85,665</u>

	Compensated Absences	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2005	\$ 90,056	\$ 329,078
Additions	125,197	0
Deductions	(127,595)	(5,047)
Balance, June 30, 2006	<u>\$ 87,658</u>	<u>\$ 324,031</u>
Balance Due Within One Year	<u>\$ 71,846</u>	<u>\$ 5,047</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2006	\$ 7,662,337
Less: Balance Due Within One Year	(1,781,725)
Less: Deferred Amount on Refunding	<u>(74,318)</u>
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u>\$ 5,806,294</u>

Discretely Presented Hardin County School Department

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

Capital outlay notes are direct obligations and pledge the full faith and credit of the government. Capital outlay notes outstanding were issued for original terms of up to seven years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. Capital outlay notes outstanding as of June 30, 2006, will be retired from the General Purpose School Fund.

Capital outlay notes outstanding as of June 30, 2006, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
Capital Outlay Note	3%	\$ 311,836	\$ 95,773

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

Year Ending June 30	Notes	
	Principal	Interest
2007	\$ 47,179	\$ 2,873
2008	48,594	1,458
Total	<u>\$ 95,773</u>	<u>\$ 4,331</u>

Changes in Long-term Liabilities

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

Governmental Activities:

	Notes	Compensated Absences
Balance, July 1, 2005	\$ 141,577	\$ 399,636
Additions	0	107,580
Deductions	(45,804)	(109,079)
Balance, June 30, 2006	<u>\$ 95,773</u>	<u>\$ 398,137</u>
Balance Due Within One Year	<u>\$ 47,179</u>	<u>\$ 106,573</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2006	\$ 493,910
Less: Balance Due Within One Year	<u>(153,752)</u>
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u>\$ 340,158</u>

G. Short-term Debt

Hardin County issued revenue anticipation notes from the General Debt Service Fund in advance of revenue collections and deposited the proceeds in the Highway/Public Works Fund. These notes were necessary because funds were not available to meet operating expenses due before current revenue collections. These notes were repaid in full as of June 30, 2006. 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	\$ 250,000	\$ (250,000)	\$ 0

H. Prior-period Adjustment

Capital assets records reflect a prior-period adjustment of \$787,521 because land and construction-in-progress for the Health Department had been omitted.

V. OTHER INFORMATION

A. Risk Management

Primary Government

Liability, Property, and Casualty

Hardin 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 school districts. Hardin County pays an annual premium to the TSB-RMT for its general liability, property, and casualty 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.

Workers' Compensation Insurance

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

Employee Health Insurance

Hardin County participates in the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

Discretely Presented Hardin County School Department

Liability, Property, Casualty, and Workers' Compensation Insurance

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

Employee Health Insurance

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

fund. Section 8-27-303, TCA, provides for the LEGIF to be self-sustaining through member premiums.

Employee Dental Insurance

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

All full-time employees of the Hardin County School Department are eligible to participate. A premium charge is allocated to each fund that accounts for full-time employees. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Employee Insurance Fund establishes claims liabilities based on estimates of the ultimate costs of claims that have been incurred but not settled, and of claims that have been incurred but not reported. Claims liabilities include specific, incremental claim adjustment expenditures/expenses, if any. In addition, estimated recoveries, if any, on settled claims have been deducted from the liability for unpaid claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the past two years are as follows:

Employee Insurance Fund

	Beginning of Fiscal Year <u>Liability</u>	Current Year Claims and Estimates	Payments	Balance at Fiscal Year-end
2004-05	\$ 11,493	\$ 219,847	\$ 221,818	\$ 9,522
2005-06	9,522	211,800	207,819	13,503

B. Accounting Changes

For the year ended June 30, 2006, Hardin County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries and GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an Amendment of GASB Statement No. 34.

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. 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.

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 Hardin 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 Hardin 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. 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. Hardin County was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Hardin County will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

C. Subsequent Events

On July 14, 2006, the county's General Debt Service Fund issued revenue anticipation notes to the General Purpose School Fund (\$650,000) and Highway/Public Works Fund (250,000).

On October 10, 2006, Hardin County entered into a lease-purchase agreement totaling \$85,753 for four vehicles for the Sheriff's Department.

D. Contingent Liabilities

Hardin County is contingently liable for an \$8,000,000 loan agreement dated July 29, 2003, for improvements to the Hardin Medical Center. Hardin County would become liable for this loan and the interest thereon in the event of default by the hospital. The principal of this loan agreement is reflected on the financial statements of the Hardin Medical Center. As of June 30, 2006, \$538,000 has been repaid leaving a balance of \$7,462,000. Future principal and interest requirements for the entire \$8,000,000 loan at June 30, 2006, were \$7,462,000 and \$4,056,236, respectively.

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

E. Change in Administration

Bobby Cromwell retired as director of schools on June 30, 2006, and was succeeded by John Thomas.

F. Landfill Closure/Postclosure Care Costs

The Savannah-Hardin County Landfill is jointly owned by the City of Savannah and Hardin County. Hardin County is responsible for the closure and postclosure care of the landfill with the City of Savannah contractually agreeing to pay 50 percent of the costs. State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. These closure and postclosure care costs generally are paid near or after the date that the landfill stops accepting waste. The landfill was closed on July 1, 1998. Remaining postclosure care costs are estimated to be \$648,062. The \$324,031 reported as landfill postclosure care liability at June 30, 2006, represents 50 percent of the estimated costs for future postclosure care functions. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

G. Joint Ventures

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

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

Administrative Office:

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

H. Retirement Commitments

Plan Description

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

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

Funding Policy

Hardin County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2006, was

9.04 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Hardin County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2006, Hardin County's annual pension cost of \$523,592 to TCRS was equal to Hardin County's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Hardin County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was 17 years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$523,592	100%	\$0
6-30-05	500,960	100	0
6-30-04	523,918	100	0

Schedule of Funding Progress

(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	\$10,721	\$12,212	\$1,491	87.79%	\$5,564	26.80%
6-30-03	8,714	10,288	1,574	84.70	5,162	30.49
6-30-01	6,874	8,662	1,788	79.36	4,751	37.63

SCHOOL TEACHERS

Plan Description

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

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Hardin County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2006, was 5.5 percent of annual covered payroll. The employer contribution requirement for the Hardin County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2006, 2005, and 2004, were \$713,288, \$698,914, and \$404,901, respectively, equal to the required contributions for each year.

I. Other Post-employment Benefits

In addition to the retirement commitments described above, retired School Department makes a contribution toward the health insurance premium of the school department group medical plan for employees who retire with 30 years of service. This contribution continues until the employee reaches age 65 and is Medicare eligible. During the year, this contribution was \$187.50 per month for six former employees and expenditures totaling \$22,219 were recognized for post-employment health care.

J. Purchasing Laws

Office of County Mayor

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

Office of Highway Commissioner

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

Office of Director of Schools

Purchasing procedures for the discretely presented Hardin County School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, Tennessee Code Annotated, which provides for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$10,000.

VI. **OTHER NOTES – PARK REST HARDIN COUNTY HEALTH CENTER (ENTERPRISE FUND)**

A. **General Information**

1. **General**

Park Rest Hardin County Health Center (Park Rest) is a 62-bed intermediate care facility owned by Hardin County, Tennessee. Park Rest is located in Savannah, Tennessee, and began operations in 1986. Park Rest provides health care and services primarily to individuals in the Hardin County, Tennessee, area who do not require the degree of care and treatment which a hospital or skilled nursing facility is designed to provide, but who, because of their mental or physical condition, require care and services which can be made available to them only through institutional facilities.

2. **Fund Accounting**

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

Proprietary Funds

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

3. **Reporting Entity**

Park Rest is a department of Hardin County, Tennessee. Park Rest is not a legally separate entity but the Hardin County Commission is responsible for appointing each member of the nursing home committee, which oversees Park Rest's operations. In addition,

nursing home revenues are the source of repayment for the bonds mentioned in Note VI.D. In the event that Park Rest should be unable to retire the bonds, Hardin County is then responsible.

B. Summary of Significant Accounting Policies

1. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures 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 financial statements of Park Rest are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The following is a summary of the more significant accounting policies.

Inventory

Inventory is valued at the lower of cost (FIFO) or market, and consists entirely of supplies.

Property and Equipment

All capital assets are stated at historical cost. Depreciation expense is calculated principally by the straight-line method to allocate the costs of depreciable assets over their estimated useful lives. Maintenance and repairs which do not materially extend their useful lives are charged to expense as incurred.

2. GASB Conformity

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

3. Cash and Cash Equivalents

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

4. Revenues Recognition

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the nursing home's principal ongoing operations. The principal operating revenues of Park Rest are charges for patient services. Operating expenses include salaries and wages of employees, administrative expenses, and depreciation on capital assets.

C. Related Party Transactions

During the year, Hardin Home (an independent nursing home facility owned by the manager of Park Rest) provided Park Rest with laundry services. Hardin Home based the laundry charges on prevailing rates for laundry in the area. The total laundry charges for the year were \$120,000. Park Rest provided meals to Hardin Home. The charges for the meals were based on Park Rest's actual costs of providing the meals. The dietary charges for the year totaled \$156,000. The amount shown in the balance sheet as due from Hardin Home represents the difference between the amount charged and the amount paid by the two facilities. Repayment is expected next year.

D. Due to Hardin County

In 1985, Hardin County, Tennessee, issued \$1,070,000 of General Obligation Nursing Home Bonds Series 1985 which bear interest ranging from 6.5 to 8.7 percent. Park Rest is to reimburse the county for interest and principal over 20 years. The final payment of \$89,152 (including interest of \$4,784) is due July 1, 2006. Activity for the year was as follows:

	Beginning Balance	Reductions	Ending Balance
Due to Hardin County	\$ 168,240	\$ (83,872)	\$ 84,368

E. Deposits and Investments

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

At year-end, the carrying amount of Park Rest's deposits was \$25,251 and the bank balances were \$39,464. Balances during the year and at year-end were completely covered by federal depository insurance.

There were no significant violations during the year of legal or contractual provisions.

F. Management Agreement

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

G. Concentration of Credit Risk

Approximately 97 percent of the patients in Park Rest participate in the Medicaid program. As a result, a portion of their care is paid for by the State of Tennessee. Approximately 94 percent of the accounts receivable balance at June 30, 2006, was due from the State of Tennessee under the Medicaid program.

H. Compensated Absences

Park Rest does not grant sick days as such. If employees are off sick, they will not be paid for that time. However, for any month employees do not miss a day for being off sick, they will accumulate four hours pay. After employees have completed one year's service, the facility will pay for all accumulated sick pay hours.

Employees are entitled to one week of vacation after one year of employment. If employees are laid off, they will receive accumulated vacation pay, but if they are terminated, they will not.

Accrued vacation and sick pay were not considered material and, accordingly, no liability is included in the financial statements for them.

I. Risk Management

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

J. Trust Funds

Trust funds, as used in the Statement of Net Assets, represent patient trust funds held by the nursing home in trust for patients and can only be used upon the patients' approval.

K. Capital Assets

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

	Balance 7-1-05	Increases	Balance 6-30-06
Capital assets not being depreciated:			
Land	\$ 26,700	\$ 0	\$ 26,700
Capital assets being depreciated:			
Building and improvements	\$ 1,127,838	\$ 0	\$ 1,127,838
Furniture and fixtures	49,985	0	49,985
Equipment	224,269	0	224,269
Total capital assets being depreciated	\$ 1,402,092	\$ 0	\$ 1,402,092
Less accumulated depreciation for:			
Building and improvements	\$ (552,009)	\$ (32,150)	\$ (584,159)
Furniture and fixtures	(33,706)	(3,707)	(37,413)
Equipment	(185,427)	(11,462)	(196,889)
Total accumulated depreciation	\$ (771,142)	\$ (47,319)	\$ (818,461)
Total capital assets depreciated, net	\$ 630,950	\$ (47,319)	\$ 583,631
Total capital assets, net	\$ 657,650	\$ (47,319)	\$ 610,331

Fully depreciated assets at June 30, 2006, total \$204,843.

VII. OTHER NOTES – DISCRETELY PRESENTED HARDIN MEDICAL CENTER

A. General Information

1. General

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

2. Reporting Entity

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

B. Summary of Significant Accounting Policies

1. GASB Conformity

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

2. Measurement Focus and Basis of Accounting

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

3. Cash Equivalents

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

4. **Accounts Receivable**

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

5. **Inventories**

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

6. **Compensated Absences**

The Hardin Medical Center employees earn vacation and sick leave on a ratable basis determined by months employed. The amounts earned on both types of leave can be carried forward from one year to the next subject to stated maximums in both areas. Payment is allowed for accumulated vacation days upon termination of employment but is not allowed for accumulated sick leave.

7. **Fund Accounting**

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

Proprietary Fund

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

8. **Capital Assets**

All Hardin Medical Center plant in service acquisitions subsequent to 1967 have been recorded at cost. Assets acquired prior to that date

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

9. Operating Income

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

C. Pension Plan

Plan Description

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

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

Funding Policy

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

The Hardin Medical Center is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2006, was 8.24 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. Contribution requirements for the Hardin Medical Center are established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2006, the Hardin Medical Center's annual pension cost of \$714,538 to TCRS was equal to their required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen initial liability actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The Hardin Medical Center's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was ten years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Trend information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$ 714,538	100%	\$ 0
6-30-05	660,346	100	0
6-30-04	498,698	100	0

Schedule of Funding Progress

(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
7-1-05	\$ 18,746	\$ 20,004	\$ 1,258	93.71	% \$ 7,901	15.92 %
7-1-03	16,631	18,049	1,418	92.14	\$6,795	20.87
7-1-01	14,793	16,316	1,523	90.67	\$6,229	24.45

D. Due from/to Intermediaries

The Hardin Medical Center participates in the Medicare and TennCare programs as well as providing health-care services to patients whose coverage is paid for by other commercial insurance carriers. Historically, reimbursements for certain services under the Medicare program were made on the basis of audited cost reports filed on a fiscal year basis. Periodically, the commercial insurance carriers may conduct their own audit of the center's records. The amounts presented below are subject to final audit by the intermediaries. The amounts due to intermediaries represent amounts determined to be payable as a result of reviews of the center's records. The center's Medicare cost reports have been audited through June 30, 2005.

E. Economic Dependency

Approximately 50 percent of all charges for the year were made to the Medicare program, and 44 percent of the net accounts receivable balance as of June 30, 2006, was due from the Medicare program.

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

F. Physician Guarantees

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

G. Charity Care

The Hardin Medical Center maintains records to identify and monitor the level of charity care it provides for patients. The records include the amount of charges foregone for services and supplies furnished under its charity care policy. The Hardin Medical Center provided charity care services, measured in terms of established patient billing rates, of approximately \$295,216.

H. Long-term Debt

Hardin County has entered into a loan agreement dated July 29, 2003, whereby it agreed to borrow up to \$8,000,000 in bonds for improvements to the Hardin Medical Center. A total of \$8,000,000 was received and the medical center is repaying the bonds in annual principal and monthly interest payments. The interest rate to be paid is variable but at June 30, 2006, was 3.7 percent. Maturities are as follows:

Year Ending June 30	Principal	Interest
2007	\$ 196,000	\$ 276,168
2008	202,000	268,916
2009	209,000	261,442
2010	216,000	253,709
2011	223,000	245,717
2012-2016	1,233,000	1,099,085
2017-2021	1,454,000	855,144
2022-2026	1,714,000	567,580
2027-2031	2,015,000	228,475

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

	Balance at beginning of year	Decreases	Balance at end of year	Due within one year
Note Payable	\$ 7,653,000	\$ 191,000	\$ 7,462,000	\$ 196,000

I. Net Patient Service Revenue

The Hardin Medical Center has agreements with third-party payers that provide for payments at amounts different from their established rates. Net operating revenues are net of contractual adjustments and policy discounts of \$26,777,903. A summary of the payment arrangements with major third-party payers follows:

Medicare

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

TennCare – Blue Cross

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

TennCare – Omni Care, BetterHealth, and TLC

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

Blue Cross

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

Other

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

J. Deposits and Investments

The Hardin Medical Center maintains checking accounts and certificates of deposit with local banks. Their investment policies are governed by state statute. Included in permissible investments are direct obligations of the U. S. Government and agency securities, certificates of deposit, and savings accounts. The Hardin Medical Center has no policy that further limits allowable investments. At June 30, 2006, investments consisted entirely of

certificates of deposit, each of which earned interest at 4.16 percent. Investments are carried at cost which approximated fair value.

For deposits, custodial credit risk is the risk that, in the event of a bank failure, the Hardin Medical Center deposits may not be returned to them. The center does not have a policy regarding custodial credit risk for deposits. Collateral is required for demand deposits and certificates of deposit at 105 percent of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State of Tennessee and its subdivisions. As of June 30, 2006, \$744,327 of the Hardin Medical Center's bank balances of \$3,983,178 was exposed to custodial credit risk because it was collateralized with securities held by the pledging bank's agent but not in the center's name.

K. Ambulance Service

Hardin County paid for the construction of a building to house ambulance facilities and has also purchased ambulances and related equipment, but the Hardin Medical Center is responsible for operating the ambulance service. Expenditures by Hardin County since the Hardin Medical Center began operating the ambulance service totals \$769,641. This amount is not reflected in property and equipment in the accompanying financial statements. In addition, Hardin County provides an annual subsidy (\$100,000 in 2006) to defray costs incurred in operating the ambulance service. This annual allocation is in addition to the cumulative expenditures mentioned above.

L. Risk Management

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

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

Balance at beginning of year	Incurred Claims	Claims Payments	Employee Deductions	Balance at end of year
\$ 173,264	\$ 1,128,332	\$ (706,547)	\$ (434,350)	\$ 160,699

M. Net Assets

Net assets invested in capital assets, net of related debt, are calculated by taking the net plant in service of \$13,957,077 less the note payable of \$7,462,000.

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

N. Capital Assets

Capital asset activity for the year follows:

	Balance 7-1-05	Increases	Balance 6-30-06
Capital Assets Not Depreciated:			
Land	\$ 34,500	\$ 0	\$ 34,500
Construction in Progress	0	470,024	470,024
Total Capital Assets Not Depreciated	\$ 34,500	\$ 470,024	\$ 504,524
Capital Assets Depreciated:			
Land improvements	\$ 317,090	\$ 0	\$ 317,090
Buildings	13,042,215	356,152	13,398,367
Equipment	9,634,729	553,534	10,188,263
Furniture and fixtures	172,448	0	172,448
Assets under capital lease	1,728,847	0	1,728,847
Intangible costs	86,989	0	86,989
Total Capital Assets Depreciated	\$ 24,982,318	\$ 909,686	\$ 25,892,004
Less Accumulated Depreciation For:			
Land improvements	\$ 170,598	\$ 23,969	\$ 194,567
Buildings	3,311,656	323,161	3,634,817

	Balance 7-1-05	Increases	Balance 6-30-06
Less Accumulated Depreciation For (Cont.):			
Equipment	\$ 5,951,141	\$ 782,259	\$ 6,733,400
Furniture and fixtures	87,215	13,498	100,713
Assets under capital lease	1,665,986	22,979	1,688,965
Intangible costs	86,989	0	86,989
Total Accumulated Depreciation	<u>\$ 11,273,585</u>	<u>\$ 1,165,866</u>	<u>\$ 12,439,451</u>
Total Capital Assets Depreciated, Net	<u>\$ 13,708,733</u>	<u>\$ (256,180)</u>	<u>\$ 13,452,553</u>
Total Capital Assets, Net	<u>\$ 13,743,233</u>	<u>\$ 213,844</u>	<u>\$ 13,957,077</u>

Depreciation expense of \$1,165,866 was recorded by the Hardin Medical Center. Fully depreciated assets at June 30, 2006, totaled \$7,175,505. Related interest cost of \$155,317 was capitalized in prior years.

O. Operating Leases

The Hardin Medical Center leased various computer equipment under operating leases during the year at a total expense of \$281,924.

P. Accounts Payable

Accounts payable is made up entirely of amounts payable to vendors.

Q. Commitments and Contingencies

The Hardin Medical Center is a defendant in various lawsuits brought against it. It cannot predict the outcome of these cases and it is possible losses could be incurred. The amount of such possible losses cannot be determined.

Included in current liabilities and other expenses is \$386,338 representing an agreement whereby the Hardin Medical Center agreed to repay ambulance charges (plus penalty) that were originally billed to Medicare but should have been charged to Medicaid.

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

A. General Information

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

B. Summary of Significant Accounting Policies

1. GASB Conformity

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

2. Basis of Accounting

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

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

3. Capital Assets

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

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

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

4. **Operating Revenues and Expenses**

Operating revenues and expenses are those that result from providing services. It also includes all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues that are not generated from daily operations are defined as nonoperating.

5. **Fund Accounting**

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

Proprietary Fund

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

C. Revenues

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

D. Risk Management

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

E. Contract Agreement

In 1992, the district entered into an agreement with Hardin County, Tennessee, and the City of Savannah, Tennessee, whereby the board of the district is charged with the responsibilities of establishing and collecting service fees; seeking additional funding and issuing bonds, if necessary; and creating a dispatch service and determining the mode. Further, the parties agreed that the City of Savannah would serve as the administrative unit with the responsibility to operate the dispatch facility in a manner consistent with statutory requirements. The district has traditionally remitted excess funds to the city to cover various operating expenses. This year the district remitted \$68,291 to the city.

F. Deposits and Investments

The district's investment policies are governed by state statute. Included in permissible investments are direct obligations of the U. S. government and agency securities, certificates of deposit, and savings accounts. The district has no policy that further limits allowable investments. Investments consist of a certificate of deposit, the fair value of which was comparable to the carrying value.

Collateral is required for demand deposits and certificates of deposit at 105 percent of all amounts not covered by federal deposit insurance. There were no instances noted of violation of legal or contractual provisions for deposits. The district's deposits and investments at year-end were fully insured.

G. Compensated Absences

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

H. Capital Assets

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

	Balance 7-1-05	Increases	Balance 6-30-06
Capital assets not being depreciated:			
Construction in progress	\$ 0	\$ 23,755	\$ 23,755
Capital assets being depreciated:			
Building improvements	\$ 18,109	\$ 0	\$ 18,109
Equipment - capital lease	339,029	0	339,029
Equipment and software	242,762	8,530	251,292
Vehicles	25,196	0	25,196
Maps	176,904	0	176,904
Total capital assets being depreciated	\$ 802,000	\$ 8,530	\$ 810,530
Less accumulated depreciation for:			
Building improvements	\$ (8,230)	\$ (604)	\$ (8,834)
Equipment - capital lease	(297,482)	(8,903)	(306,385)
Equipment and software	(136,205)	(35,067)	(171,272)
Vehicles	(67,470)	(13,517)	(80,987)
Maps	(23,516)	(1,680)	(25,196)
Total accumulated depreciation	\$ (532,903)	\$ (59,771)	\$ (592,674)
Total capital assets being depreciated, net	\$ 269,097	\$ (51,241)	\$ 217,856
Total capital assets, net	\$ 269,097	\$ (27,486)	\$ 241,611

Depreciation expense of \$59,771 was recorded by the district.

I. Stewardship, Compliance, and Accountability

By its nature as a local governmental unit, the district is subject to various federal, state, and local laws and contractual regulations. An analysis of the district's compliance with significant laws and regulations, and demonstration of its stewardship over the district resources follows.

Budget Appropriations

In accordance with state law, the board of the district must adopt and operate under an annual budget. Criteria for the information required in the annual adopted budget are detailed in Section 7-86-120, Tennessee Code Annotated. For financial reporting purposes, it is only necessary to present budgetary revenues and expenses compared to actual. All purchases must be made within the limits of the approved budget. Expenses must be presented at the legal level of control, which is defined to be at the line-item level.

The district's expenses exceeded appropriations at the line-item level.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit F-1

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General 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	
<u>Revenues</u>						
Local Taxes	\$ 4,195,384	\$ 0	\$ 4,195,384	\$ 3,711,095	\$ 3,811,099	\$ 384,285
Licenses and Permits	79,751	0	79,751	74,780	74,780	4,971
Fines, Forfeitures, and Penalties	178,532	0	178,532	194,730	194,730	(16,198)
Charges for Current Services	32,192	0	32,192	27,545	27,545	4,647
Other Local Revenues	351,617	0	351,617	274,800	307,044	44,573
Fees Received from County Officials	1,094,603	0	1,094,603	1,020,500	1,020,500	74,103
State of Tennessee	718,886	0	718,886	588,575	662,469	56,417
Federal Government	486,025	0	486,025	197,047	595,895	(109,870)
Other Governments and Citizens Groups	64,909	0	64,909	41,900	65,576	(667)
Total Revenues	\$ 7,201,899	\$ 0	\$ 7,201,899	\$ 6,130,972	\$ 6,759,638	\$ 442,261
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	\$ 61,713	\$ 0	\$ 61,713	\$ 63,786	\$ 63,786	\$ 2,073
Board of Equalization	420	0	420	1,000	1,000	580
Beer Board	3,601	0	3,601	4,000	4,000	399
Other Boards and Committees	0	0	0	2,200	2,200	2,200
County Mayor/Executive	110,522	0	110,522	111,400	111,400	878
County Attorney	6,965	0	6,965	8,300	8,300	1,335
Election Commission	83,381	0	83,381	93,618	96,321	12,940
Register of Deeds	128,274	0	128,274	128,640	128,640	366
County Buildings	507,236	2,001	509,237	398,892	519,327	10,090
<u>Finance</u>						
Accounting and Budgeting	81,546	130	81,676	82,127	82,127	451
Property Assessor's Office	173,429	0	173,429	193,302	193,302	19,873
Reappraisal Program	26,295	0	26,295	29,086	29,086	2,791
County Trustee's Office	126,268	0	126,268	128,290	128,290	2,022

(Continued)

Exhibit F-1

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General 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>Finance (Cont.)</u>						
County Clerk's Office	\$ 190,147	\$ 499	\$ 190,646	\$ 187,355	\$ 190,755	\$ 109
<u>Administration of Justice</u>						
Circuit Court	229,823	0	229,823	235,189	238,954	9,131
General Sessions Court	106,999	0	106,999	108,042	108,042	1,043
Drug Court	12,343	0	12,343	0	12,343	0
Chancery Court	96,636	0	96,636	100,562	100,562	3,926
<u>Public Safety</u>						
Sheriff's Department	781,662	33,775	815,437	883,758	979,811	164,374
Traffic Control	87,391	0	87,391	24,426	109,316	21,925
Jail	558,918	0	558,918	482,465	622,469	63,551
Juvenile Services	68,419	0	68,419	74,287	74,287	5,868
Fire Prevention and Control	1,167,604	0	1,167,604	336,159	1,600,053	432,449
Civil Defense	282,004	0	282,004	227,022	401,293	119,289
Public Safety Grant Programs	20,270	0	20,270	21,250	21,250	980
Other Public Safety	201,774	0	201,774	212,942	212,942	11,168
<u>Public Health and Welfare</u>						
Local Health Center	178,475	0	178,475	91,749	180,104	1,629
Rabies and Animal Control	2,200	0	2,200	2,500	2,500	300
Ambulance/Emergency Medical Services	181,010	0	181,010	157,900	181,138	128
Alcohol and Drug Programs	1,000	0	1,000	1,000	1,000	0
Crippled Children Services	2,005	0	2,005	2,005	2,005	0
Other Local Health Services	982	0	982	3,286	3,286	2,304
General Welfare Assistance	1,000	0	1,000	1,000	1,000	0
Other Local Welfare Services	6,421	0	6,421	7,500	7,500	1,079
Sanitation Education/Information	63,215	0	63,215	65,909	65,909	2,694

(Continued)

Exhibit F-1

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General 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>Social, Cultural, and Recreational Services</u>						
Senior Citizens Assistance	\$ 38,294	\$ 0	\$ 38,294	\$ 40,214	\$ 40,214	\$ 1,920
Libraries	166,423	0	166,423	166,562	166,910	487
Other Social, Cultural, and Recreational	19,000	0	19,000	19,500	19,500	500
<u>Agriculture & Natural Resources</u>						
Agriculture Extension Service	65,162	0	65,162	65,201	65,201	39
Forest Service	1,000	0	1,000	1,000	1,000	0
Soil Conservation	20,084	0	20,084	20,084	20,084	0
Flood Control	4,743	0	4,743	5,000	5,000	257
Other Agriculture & Natural Resources	2,916	0	2,916	4,745	4,745	1,829
<u>Other Operations</u>						
Tourism	174,670	0	174,670	141,500	174,500	(170)
Industrial Development	51,976	0	51,976	55,200	55,200	3,224
Housing and Urban Development	1,374	0	1,374	1,373	1,373	(1)
Other Economic and Community Development	11,069	967	12,036	13,000	13,000	964
Airport	12,500	0	12,500	12,825	12,825	325
Veterans' Services	34,905	0	34,905	35,851	37,005	2,100
Other Charges	168,358	0	168,358	162,400	168,469	111
Contributions to Other Agencies	20,500	0	20,500	20,500	20,500	0
Employee Benefits	805,295	0	805,295	896,054	897,627	92,332
Miscellaneous	4,603	0	4,603	8,300	8,300	3,697
Total Expenditures	\$ 7,152,820	\$ 37,372	\$ 7,190,192	\$ 6,140,256	\$ 8,195,751	\$ 1,005,559
Excess (Deficiency) of Revenues Over Expenditures	\$ 49,079	\$ (37,372)	\$ 11,707	\$ (9,284)	\$ (1,436,113)	\$ 1,447,820

(Continued)

Exhibit F-1

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General 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>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 87,500	\$ 0	\$ 87,500	\$ 9,988	\$ 97,488	\$ (9,988)
Capital Leases Issued	429,882	0	429,882	0	945,517	(515,635)
Insurance Recovery	40,111	0	40,111	0	37,693	2,418
Transfers Out	(35,529)	0	(35,529)	0	(35,529)	0
Total Other Financing Sources (Uses)	\$ 521,964	\$ 0	\$ 521,964	\$ 9,988	\$ 1,045,169	\$ (523,205)
Extraordinary Item - Fire Damage	\$ 88,690	\$ 0	\$ 88,690	\$ 0	\$ 0	\$ 88,690
Net Change in Fund Balance	\$ 659,733	\$ (37,372)	\$ 622,361	\$ 704	\$ (390,944)	\$ 1,013,305
Fund Balance, July 1, 2005	3,202,870	0	3,202,870	2,905,461	2,905,461	297,409
Fund Balance, June 30, 2006	\$ 3,862,603	\$ (37,372)	\$ 3,825,231	\$ 2,906,165	\$ 2,514,517	\$ 1,310,714

Exhibit F-2

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 437,086	\$ 435,160	\$ 467,685	\$ (30,599)
Other Local Revenues	42,429	57,000	57,000	(14,571)
State of Tennessee	2,297,401	4,265,961	4,265,961	(1,968,560)
Federal Government	103,631	0	0	103,631
Total Revenues	<u>\$ 2,880,547</u>	<u>\$ 4,758,121</u>	<u>\$ 4,790,646</u>	<u>\$ (1,910,099)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 214,890	\$ 227,987	\$ 227,987	\$ 13,097
Highway and Bridge Maintenance	1,516,077	1,821,484	1,821,484	305,407
Operation and Maintenance of Equipment	331,154	335,500	368,025	36,871
Other Charges	214,981	207,000	222,161	7,180
Employee Benefits	349,283	370,490	370,490	21,207
Capital Outlay	101,181	859,500	859,500	758,319
Total Expenditures	<u>\$ 2,727,566</u>	<u>\$ 3,821,961</u>	<u>\$ 3,869,647</u>	<u>\$ 1,142,081</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 152,981</u>	<u>\$ 936,160</u>	<u>\$ 920,999</u>	<u>\$ (768,018)</u>
Net Change in Fund Balance	\$ 152,981	\$ 936,160	\$ 920,999	\$ (768,018)
Fund Balance, July 1, 2005	<u>283,682</u>	<u>1,171,057</u>	<u>1,171,057</u>	<u>(887,375)</u>
Fund Balance, June 30, 2006	<u>\$ 436,663</u>	<u>\$ 2,107,217</u>	<u>\$ 2,092,056</u>	<u>\$ (1,655,393)</u>

HARDIN 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 Hardin 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, County Mayor, etc.). Management may make revisions within major categories, but only the Hardin 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 the county’s garbage collection and convenience center operations.

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

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

Capital Projects Funds

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

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

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for financial resources to be used for school construction.

Exhibit G-1

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

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Total	General Capital Projects	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 47,406	\$ 47,406	\$ 0	\$ 47,406
Equity in Pooled Cash and Investments	218,550	116,941	0	335,491	5,934	341,425
Accounts Receivable	82,421	0	0	82,421	0	82,421
Due from Other Governments	159,333	0	0	159,333	0	159,333
Total Assets	\$ 460,304	\$ 116,941	\$ 47,406	\$ 624,651	\$ 5,934	\$ 630,585
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 27,934	\$ 0	\$ 0	\$ 27,934	\$ 0	\$ 27,934
Accrued Payroll	6,869	559	0	7,428	0	7,428
Payroll Deductions Payable	525	43	0	568	0	568
Due to Other Funds	0	0	47,406	47,406	0	47,406
Other Deferred Revenues	81,961	0	0	81,961	0	81,961
Total Liabilities	\$ 117,289	\$ 602	\$ 47,406	\$ 165,297	\$ 0	\$ 165,297
<u>Fund Balances</u>						
Reserved for Purchase of Electronic Fingerprint Imaging	\$ 0	\$ 5,000	\$ 0	\$ 5,000	\$ 0	\$ 5,000
Unreserved	343,015	111,339	0	454,354	5,934	460,288
Total Fund Balances	\$ 343,015	\$ 116,339	\$ 0	\$ 459,354	\$ 5,934	\$ 465,288
Total Liabilities and Fund Balances	\$ 460,304	\$ 116,941	\$ 47,406	\$ 624,651	\$ 5,934	\$ 630,585

Exhibit G-2

Hardin 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	Total	General Capital Projects	Education Capital Projects	Total	
<u>Revenues</u>							
Local Taxes	\$ 867,060	\$ 0	\$ 867,060	\$ 0	\$ 0	\$ 0	\$ 867,060
Fines, Forfeitures, and Penalties	0	43,509	43,509	0	0	0	43,509
Charges for Current Services	144,158	0	144,158	0	0	0	144,158
Other Local Revenues	4,292	0	4,292	0	0	0	4,292
State of Tennessee	88,964	3,519	92,483	0	0	0	92,483
Other Governments and Citizens Groups	3,482	2,064	5,546	0	0	0	5,546
Total Revenues	\$ 1,107,956	\$ 49,092	\$ 1,157,048	\$ 0	\$ 0	\$ 0	\$ 1,157,048
<u>Expenditures</u>							
Current:							
Public Safety	\$ 0	\$ 33,599	\$ 33,599	\$ 0	\$ 0	\$ 0	\$ 33,599
Public Health and Welfare	936,646	0	936,646	0	0	0	936,646
Other Operations	137,507	10,542	148,049	0	0	0	148,049
Capital Projects	0	0	0	57,809	826,556	884,365	884,365
Total Expenditures	\$ 1,074,153	\$ 44,141	\$ 1,118,294	\$ 57,809	\$ 826,556	\$ 884,365	\$ 2,002,659
Excess (Deficiency) of Revenues Over Expenditures	\$ 33,803	\$ 4,951	\$ 38,754	\$ (57,809)	\$ (826,556)	\$ (884,365)	\$ (845,611)
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 826,556	\$ 826,556	\$ 826,556
Transfers In	0	0	0	35,529	0	35,529	35,529
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 35,529	\$ 826,556	\$ 862,085	\$ 862,085
Net Change in Fund Balances	\$ 33,803	\$ 4,951	\$ 38,754	\$ (22,280)	\$ 0	\$ (22,280)	\$ 16,474
Fund Balance, July 1, 2005	309,212	111,388	420,600	28,214	0	28,214	448,814
Fund Balance, June 30, 2006	\$ 343,015	\$ 116,339	\$ 459,354	\$ 5,934	\$ 0	\$ 5,934	\$ 465,288

Exhibit G-3

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 867,060	\$ 860,925	\$ 878,925	\$ (11,865)
Charges for Current Services	144,158	122,500	140,500	3,658
Other Local Revenues	4,292	0	0	4,292
State of Tennessee	88,964	84,880	84,880	4,084
Other Governments and Citizens Groups	3,482	4,500	4,500	(1,018)
Total Revenues	<u>\$ 1,107,956</u>	<u>\$ 1,072,805</u>	<u>\$ 1,108,805</u>	<u>\$ (849)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 58,564	\$ 58,863	\$ 58,863	\$ 299
Waste Pickup	275,677	257,303	281,303	5,626
Convenience Centers	264,545	269,348	269,348	4,803
Landfill Operation and Maintenance	337,860	334,000	346,000	8,140
<u>Other Operations</u>				
Other Charges	47,582	43,995	47,749	167
Employee Benefits	89,925	95,009	95,009	5,084
Total Expenditures	<u>\$ 1,074,153</u>	<u>\$ 1,058,518</u>	<u>\$ 1,098,272</u>	<u>\$ 24,119</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 33,803</u>	<u>\$ 14,287</u>	<u>\$ 10,533</u>	<u>\$ 23,270</u>
Net Change in Fund Balance	\$ 33,803	\$ 14,287	\$ 10,533	\$ 23,270
Fund Balance, July 1, 2005	<u>309,212</u>	<u>288,455</u>	<u>288,455</u>	<u>20,757</u>
Fund Balance, June 30, 2006	<u>\$ 343,015</u>	<u>\$ 302,742</u>	<u>\$ 298,988</u>	<u>\$ 44,027</u>

Exhibit G-4

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 43,509	\$ 44,130	\$ 44,130	\$ (621)
State of Tennessee	3,519	3,546	3,546	(27)
Other Governments and Citizens Groups	2,064	0	0	2,064
Total Revenues	<u>\$ 49,092</u>	<u>\$ 47,676</u>	<u>\$ 47,676</u>	<u>\$ 1,416</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 33,599	\$ 36,416	\$ 36,416	\$ 2,817
<u>Other Operations</u>				
Employee Benefits	10,542	10,963	10,963	421
Total Expenditures	<u>\$ 44,141</u>	<u>\$ 47,379</u>	<u>\$ 47,379</u>	<u>\$ 3,238</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 4,951</u>	<u>\$ 297</u>	<u>\$ 297</u>	<u>\$ 4,654</u>
Net Change in Fund Balance	\$ 4,951	\$ 297	\$ 297	\$ 4,654
Fund Balance, July 1, 2005	111,388	95,287	95,287	16,101
Fund Balance, June 30, 2006	<u>\$ 116,339</u>	<u>\$ 95,584</u>	<u>\$ 95,584</u>	<u>\$ 20,755</u>

Major Governmental Funds

Debt Service Funds

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

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

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

Exhibit H-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 171,456	\$ 164,302	\$ 164,302	\$ 7,154
Other Local Revenues	81,391	80,400	80,400	991
State of Tennessee	14,310	13,900	13,900	410
Other Governments and Citizens Groups	778,872	810,960	810,960	(32,088)
Total Revenues	<u>\$ 1,046,029</u>	<u>\$ 1,069,562</u>	<u>\$ 1,069,562</u>	<u>\$ (23,533)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 498,700	\$ 454,950	\$ 498,700	\$ 0
Education	211,050	211,050	211,050	0
<u>Interest on Debt</u>				
General Government	266,702	295,570	297,070	30,368
Education	21,644	21,645	21,645	1
<u>Other Debt Service</u>				
General Government	27,727	32,500	32,500	4,773
Total Expenditures	<u>\$ 1,025,823</u>	<u>\$ 1,015,715</u>	<u>\$ 1,060,965</u>	<u>\$ 35,142</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 20,206</u>	<u>\$ 53,847</u>	<u>\$ 8,597</u>	<u>\$ 11,609</u>
Net Change in Fund Balance	\$ 20,206	\$ 53,847	\$ 8,597	\$ 11,609
Fund Balance, July 1, 2005	2,416,220	2,413,502	2,413,502	2,718
Fund Balance, June 30, 2006	<u>\$ 2,436,426</u>	<u>\$ 2,467,349</u>	<u>\$ 2,422,099</u>	<u>\$ 14,327</u>

Exhibit H-2

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,158,638	\$ 1,085,000	\$ 1,085,000	\$ 73,638
Other Local Revenues	21,722	22,000	22,000	(278)
Other Governments and Citizens Groups	1,147,620	1,085,000	1,085,000	62,620
Total Revenues	<u>\$ 2,327,980</u>	<u>\$ 2,192,000</u>	<u>\$ 2,192,000</u>	<u>\$ 135,980</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 1,946,556	\$ 1,120,000	\$ 2,006,464	\$ 59,908
<u>Interest on Debt</u>				
Education	220,538	220,538	220,538	0
<u>Other Debt Service</u>				
Education	11,965	14,500	14,500	2,535
Total Expenditures	<u>\$ 2,179,059</u>	<u>\$ 1,355,038</u>	<u>\$ 2,241,502</u>	<u>\$ 62,443</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 148,921</u>	<u>\$ 836,962</u>	<u>\$ (49,502)</u>	<u>\$ 198,423</u>
Net Change in Fund Balance	\$ 148,921	\$ 836,962	\$ (49,502)	\$ 198,423
Fund Balance, July 1, 2005	<u>1,434,665</u>	<u>1,391,897</u>	<u>1,391,897</u>	<u>42,768</u>
Fund Balance, June 30, 2006	<u>\$ 1,583,586</u>	<u>\$ 2,228,859</u>	<u>\$ 1,342,395</u>	<u>\$ 241,191</u>

Fiduciary Funds

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

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

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

Exhibit I-1

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

	<u>Agency Funds</u>		
	Cities -	Constitu-	
	Sales	tional	
	Tax	Officers -	Total
		Agency	
<u>ASSETS</u>			
Cash	\$ 0	\$ 823,948	\$ 823,948
Due from Other Governments	242,806	0	242,806
Total Assets	<u>\$ 242,806</u>	<u>\$ 823,948</u>	<u>\$ 1,066,754</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 242,806	\$ 0	\$ 242,806
Due to Litigants, Heirs, and Others	0	823,948	823,948
Total Liabilities	<u>\$ 242,806</u>	<u>\$ 823,948</u>	<u>\$ 1,066,754</u>

Exhibit I-2

Hardin County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All 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	\$ 1,368,999	\$ 1,368,999	\$ 0
Due from Other Governments	228,605	242,806	228,605	242,806
Total Assets	\$ 228,605	\$ 1,611,805	\$ 1,597,604	\$ 242,806
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 228,605	\$ 1,611,805	\$ 1,597,604	\$ 242,806
Total Liabilities	\$ 228,605	\$ 1,611,805	\$ 1,597,604	\$ 242,806
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 562,132	\$ 5,876,519	\$ 5,614,703	\$ 823,948
Total Assets	\$ 562,132	\$ 5,876,519	\$ 5,614,703	\$ 823,948
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 562,132	\$ 5,876,519	\$ 5,614,703	\$ 823,948
Total Liabilities	\$ 562,132	\$ 5,876,519	\$ 5,614,703	\$ 823,948
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,368,999	\$ 1,368,999	\$ 0
Cash	562,132	5,876,519	5,614,703	823,948
Due from Other Governments	228,605	242,806	228,605	242,806
Total Assets	\$ 790,737	\$ 7,488,324	\$ 7,212,307	\$ 1,066,754
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 228,605	\$ 1,611,805	\$ 1,597,604	\$ 242,806
Due to Litigants, Heirs, and Others	562,132	5,876,519	5,614,703	823,948
Total Liabilities	\$ 790,737	\$ 7,488,324	\$ 7,212,307	\$ 1,066,754

Hardin County School Department

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

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

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

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

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

Exhibit J-1

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

Functions/Programs	Program Revenues				Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets Total Governmental Activities
Component Unit:					
Governmental Activities:					
Instruction	\$ 16,635,952	\$ 48,194	\$ 1,964,247	\$ 167,916	\$ (14,455,595)
Support Services	7,468,666	45,450	99,876	647,343	(6,675,997)
Operation of Noninstructional Services	2,379,656	764,604	1,337,022	11,297	(266,733)
Interest on Long-term Debt	3,330	0	0	0	(3,330)
Other Debt Service	1,385,823	0	0	0	(1,385,823)
Total Governmental Activities	<u>\$ 27,873,427</u>	<u>\$ 858,248</u>	<u>\$ 3,401,145</u>	<u>\$ 826,556</u>	<u>\$ (22,787,478)</u>
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 4,161,981
Local Option Sales Tax					3,043,777
Other Local Taxes					433
Grants and Contributions Not Restricted for Specific Programs					15,275,764
Miscellaneous					63,723
Total General Revenues					<u>\$ 22,545,678</u>
Change in Net Assets					\$ (241,800)
Net Assets, July 1, 2005					<u>18,141,291</u>
Net Assets, June 30, 2006					<u>\$ 17,899,491</u>

Exhibit J-2

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

	Major Funds			Total Govern- mental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 348,882	\$ 3,410	\$ 713,318	\$ 1,065,610
Accounts Receivable	4,881	0	0	4,881
Due from Other Governments	675,510	459,889	0	1,135,399
Due from Other Funds	228,645	0	0	228,645
Property Taxes Receivable	4,346,446	0	0	4,346,446
Allowance for Uncollectible Property Taxes	(190,755)	0	0	(190,755)
Total Assets	<u>\$ 5,413,609</u>	<u>\$ 463,299</u>	<u>\$ 713,318</u>	<u>\$ 6,590,226</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 43,972	\$ 97,459	\$ 0	\$ 141,431
Payroll Deductions Payable	123,174	602	0	123,776
Due to Other Funds	0	228,645	0	228,645
Due to Primary Government	102,509	0	0	102,509
Deferred Revenue - Current Property Taxes	3,963,560	0	0	3,963,560
Deferred Revenue - Delinquent Property Taxes	177,918	0	0	177,918
Other Deferred Revenues	303,023	0	0	303,023
Total Liabilities	<u>\$ 4,714,156</u>	<u>\$ 326,706</u>	<u>\$ 0</u>	<u>\$ 5,040,862</u>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 7,815	\$ 25,278	\$ 0	\$ 33,093
Other Local Education Reserves	39,490	0	0	39,490
Reserved for Career Ladder - Extended Contract	52,518	0	0	52,518
Reserved for Career Ladder Program	10,587	0	0	10,587
Reserved for Basic Education Program	72,354	0	0	72,354
Reserved for Title I Grants to Local Education Agencies	0	26,083	0	26,083
Reserved for Innovative Education Program Strategies	0	9,644	0	9,644
Reserved for Special Education - Grants to States	0	20,713	0	20,713
Other Federal Reserves	0	54,875	0	54,875
Unreserved, Reported In:				
General Fund	516,689	0	0	516,689
Special Revenue Funds	0	0	713,318	713,318
Total Fund Balances	<u>\$ 699,453</u>	<u>\$ 136,593</u>	<u>\$ 713,318</u>	<u>\$ 1,549,364</u>
Total Liabilities and Fund Balances	<u>\$ 5,413,609</u>	<u>\$ 463,299</u>	<u>\$ 713,318</u>	<u>\$ 6,590,226</u>

Exhibit J-3

Hardin County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
Discretely Presented Hardin County School Department
June 30, 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)		\$	1,549,364
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	904,172	
Add: buildings and improvements net of accumulated depreciation		14,611,001	
Add: other capital assets net of accumulated depreciation		<u>856,832</u>	16,372,005
(2) Internal service funds are used by management to charge the costs of employee insurance benefits to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.			(6,994)
(3) Long-term liabilities are not due in the current period and therefore are not reported in the funds.			
Less: notes payable	\$	(95,773)	
Less: compensated absences payable		(398,137)	
Less: accrued interest on notes		<u>(1,915)</u>	(495,825)
(4) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			<u>480,941</u>
Net assets of governmental activities (Exhibit A)		\$	<u>17,899,491</u>

Exhibit J-4

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

	Major Funds			
	General Purpose School	School Federal Projects	Central Cafeteria	Total Governmental Funds
<u>Revenues</u>				
Local Taxes	\$ 7,251,225	\$ 0	\$ 0	\$ 7,251,225
Licenses and Permits	1,748	0	0	1,748
Charges for Current Services	32,978	0	754,124	787,102
Other Local Revenues	89,938	0	11,489	101,427
State of Tennessee	14,219,313	0	0	14,219,313
Federal Government	169,776	3,016,764	1,063,910	4,250,450
Other Governments and Citizens Groups	826,556	0	0	826,556
Total Revenues	<u>\$ 22,591,534</u>	<u>\$ 3,016,764</u>	<u>\$ 1,829,523</u>	<u>\$ 27,437,821</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 13,708,509	\$ 2,314,768	\$ 0	\$ 16,023,277
Support Services	6,412,968	731,775	0	7,144,743
Operation of Non-Instructional Services	538,320	0	1,695,487	2,233,807
Capital Outlay	836,133	0	0	836,133
Debt Service:				
Principal on Debt	45,804	0	0	45,804
Interest on Debt	4,247	0	0	4,247
Other Debt Service	1,385,823	0	0	1,385,823
Total Expenditures	<u>\$ 22,931,804</u>	<u>\$ 3,046,543</u>	<u>\$ 1,695,487</u>	<u>\$ 27,673,834</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (340,270)</u>	<u>\$ (29,779)</u>	<u>\$ 134,036</u>	<u>\$ (236,013)</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 12,583	\$ 0	\$ 0	\$ 12,583
Total Other Financing Sources (Uses)	<u>\$ 12,583</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 12,583</u>
Net Change in Fund Balances	\$ (327,687)	\$ (29,779)	\$ 134,036	\$ (223,430)
Fund Balance, July 1, 2005	<u>1,027,140</u>	<u>166,372</u>	<u>579,282</u>	<u>1,772,794</u>
Fund Balance, June 30, 2006	<u>\$ 699,453</u>	<u>\$ 136,593</u>	<u>\$ 713,318</u>	<u>\$ 1,549,364</u>

Exhibit J-5

Hardin County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Hardin County School Department
For the Year Ended June 30, 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)		\$ (223,430)
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 1,038,430	
Less: current year depreciation expense	<u>(1,135,704)</u>	(97,274)
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2006	\$ 480,941	
Less: deferred delinquent property taxes and other deferred June 30, 2005	<u>(448,799)</u>	32,142
<p>(3) The issuance of long-term debt (e.g., bonds, notes, 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.</p>		
Add: principal payments on notes		45,804
<p>(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Add: change in accrued interest payable	\$ 917	
Add: change in compensated absences	<u>1,499</u>	2,416
<p>(5) Internal service funds are used by management to charge the costs of employee insurance benefits to individual funds. The net expense of certain activities of internal service funds is reported with governmental activities in the statement of activities.</p>		
		<u>(1,458)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (241,800)</u>

Exhibit J-6

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Hardin 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	
<u>Revenues</u>						
Local Taxes	\$ 7,251,225	\$ 0	\$ 7,251,225	\$ 7,304,876	\$ 7,304,876	\$ (53,651)
Licenses and Permits	1,748	0	1,748	2,000	2,000	(252)
Charges for Current Services	32,978	0	32,978	14,000	14,000	18,978
Other Local Revenues	89,938	0	89,938	53,050	53,050	36,888
State of Tennessee	14,219,313	0	14,219,313	14,229,591	14,393,917	(174,604)
Federal Government	169,776	0	169,776	187,000	187,000	(17,224)
Other Governments and Citizens Groups	826,556	0	826,556	0	826,556	0
Total Revenues	\$ 22,591,534	\$ 0	\$ 22,591,534	\$ 21,790,517	\$ 22,781,399	\$ (189,865)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 11,486,946	\$ 0	\$ 11,486,946	\$ 11,439,605	\$ 11,509,145	\$ 22,199
Special Education Program	1,439,209	0	1,439,209	1,408,604	1,445,811	6,602
Vocational Education Program	709,824	0	709,824	795,878	728,340	18,516
Adult Education Program	72,530	4,279	76,809	103,049	66,738	(10,071)
<u>Support Services</u>						
Attendance	51,893	0	51,893	55,573	54,761	2,868
Health Services	84,328	0	84,328	86,199	86,199	1,871
Other Student Support	794,055	0	794,055	805,021	805,777	11,722
Regular Instruction Program	734,586	0	734,586	776,658	782,223	47,637
Special Education Program	150,322	0	150,322	167,869	157,393	7,071
Vocational Education Program	95,259	0	95,259	102,816	95,613	354
Adult Programs	65,665	0	65,665	82,831	70,001	4,336
Board of Education	431,887	0	431,887	405,900	437,367	5,480
Director of Schools	180,676	0	180,676	185,705	182,683	2,007
Office of the Principal	816,527	0	816,527	852,930	839,401	22,874

(Continued)

Exhibit J-6

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Hardin 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>						
Fiscal Services	\$ 118,910	\$ 0	\$ 118,910	\$ 124,758	\$ 124,758	\$ 5,848
Operation of Plant	1,657,998	0	1,657,998	1,468,015	1,672,615	14,617
Maintenance of Plant	377,277	0	377,277	340,425	374,337	(2,940)
Transportation	853,585	0	853,585	849,919	865,950	12,365
<u>Operation of Non-Instructional Services</u>						
Food Service	393,107	0	393,107	367,848	396,834	3,727
Early Childhood Education	145,213	3,536	148,749	0	164,326	15,577
<u>Capital Outlay</u>						
Regular Capital Outlay	836,133	0	836,133	0	836,133	0
<u>Principal on Debt</u>						
Education	45,804	0	45,804	45,804	45,804	0
<u>Interest on Debt</u>						
Education	4,247	0	4,247	4,247	4,247	0
<u>Other Debt Service</u>						
Education	1,385,823	0	1,385,823	1,363,853	1,363,853	(21,970)
Total Expenditures	\$ 22,931,804	\$ 7,815	\$ 22,939,619	\$ 21,833,507	\$ 23,110,309	\$ 170,690
Excess (Deficiency) of Revenues						
Over Expenditures	\$ (340,270)	\$ (7,815)	\$ (348,085)	\$ (42,990)	\$ (328,910)	\$ (19,175)
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 12,583	\$ 0	\$ 12,583	\$ 0	\$ 0	\$ 12,583
Total Other Financing Sources (Uses)	\$ 12,583	\$ 0	\$ 12,583	\$ 0	\$ 0	\$ 12,583
Net Change in Fund Balance						
Fund Balance, July 1, 2005	\$ 1,027,140	0	1,027,140	1,190,662	1,190,662	(163,522)
Fund Balance, June 30, 2006						
	\$ 699,453	\$ (7,815)	\$ 691,638	\$ 1,147,672	\$ 861,752	\$ (170,114)

Exhibit J-7

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Hardin County School Department
School Federal Projects 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	
<u>Revenues</u>						
Federal Government	\$ 3,016,764	\$ 0	\$ 3,016,764	\$ 2,978,627	\$ 3,151,493	\$ (134,729)
Total Revenues	\$ 3,016,764	\$ 0	\$ 3,016,764	\$ 2,978,627	\$ 3,151,493	\$ (134,729)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 1,474,484	\$ 10,580	\$ 1,485,064	\$ 1,337,059	\$ 1,482,070	\$ (2,994)
Special Education Program	712,315	0	712,315	576,726	576,726	(135,589)
Vocational Education Program	127,969	1,755	129,724	127,787	127,787	(1,937)
<u>Support Services</u>						
Other Student Support	40,788	0	40,788	59,382	68,363	27,575
Regular Instruction Program	465,530	12,943	478,473	652,975	671,849	193,376
Special Education Program	225,457	0	225,457	224,698	224,698	(759)
Total Expenditures	\$ 3,046,543	\$ 25,278	\$ 3,071,821	\$ 2,978,627	\$ 3,151,493	\$ 79,672
Excess (Deficiency) of Revenues Over Expenditures	\$ (29,779)	\$ (25,278)	\$ (55,057)	\$ 0	\$ 0	\$ (55,057)
Net Change in Fund Balance	\$ (29,779)	\$ (25,278)	\$ (55,057)	\$ 0	\$ 0	\$ (55,057)
Fund Balance, July 1, 2005	166,372	0	166,372	166,372	166,372	0
Fund Balance, June 30, 2006	\$ 136,593	\$ (25,278)	\$ 111,315	\$ 166,372	\$ 166,372	\$ (55,057)

Exhibit J-8

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 754,124	\$ 750,000	\$ 750,000	\$ 4,124
Other Local Revenues	11,489	7,500	7,500	3,989
Federal Government	1,063,910	900,000	900,000	163,910
Total Revenues	<u>\$ 1,829,523</u>	<u>\$ 1,657,500</u>	<u>\$ 1,657,500</u>	<u>\$ 172,023</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,695,487	\$ 1,819,864	\$ 1,819,864	\$ 124,377
Total Expenditures	<u>\$ 1,695,487</u>	<u>\$ 1,819,864</u>	<u>\$ 1,819,864</u>	<u>\$ 124,377</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 134,036</u>	<u>\$ (162,364)</u>	<u>\$ (162,364)</u>	<u>\$ 296,400</u>
Net Change in Fund Balance	\$ 134,036	\$ (162,364)	\$ (162,364)	\$ 296,400
Fund Balance, July 1, 2005	<u>579,282</u>	<u>579,148</u>	<u>579,148</u>	<u>134</u>
Fund Balance, June 30, 2006	<u>\$ 713,318</u>	<u>\$ 416,784</u>	<u>\$ 416,784</u>	<u>\$ 296,534</u>

Exhibit J-9

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

Governmental
 Activities -
 Internal
 Service

 Employee
 Insurance

ASSETS

Current Assets:

Equity in Pooled Cash and Investments	\$ 6,509
Total Assets	<u>\$ 6,509</u>

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 13,503
Total Liabilities	<u>\$ 13,503</u>

NET ASSETS

Unrestricted	<u>\$ (6,994)</u>
Total Net Assets	<u><u>\$ (6,994)</u></u>

Exhibit J-10

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

	Governmental Activities - Internal Service
	<u>Employee Insurance</u>
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
Self-Insurance Premiums/Contributions	\$ 206,361
Total Operating Revenues	<u>\$ 206,361</u>
<u>Operating Expenses</u>	
<u>Employee Benefits</u>	
Handling Charges and Administrative Costs	\$ 17,892
Medical Claims	189,927
Total Operating Expenses	<u>\$ 207,819</u>
Operating Income (Loss)	<u>\$ (1,458)</u>
Change In Net Assets	\$ (1,458)
Net Assets, July 1, 2005	<u>(5,536)</u>
Net Assets, June 30, 2006	<u>\$ (6,994)</u>

Exhibit J-11

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

	Governmental Activities - Internal Service
	<u>Employee Insurance</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from self-insurance premiums	\$ 206,361
Payments to fiscal agents	(17,892)
Payments for claims	(185,946)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 2,523</u>
Increase (Decrease) in Cash	\$ 2,523
Cash, July 1, 2005	<u>3,986</u>
Cash, June 30, 2006	<u><u>\$ 6,509</u></u>
<u>Reconciliation of Operating Income (Loss)</u>	
<u>to Net Cash Provided by (Used In) Operating Activities</u>	
Operating Income (Loss)	\$ (1,458)
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:	
Changes in assets and liabilities:	
Increase in accounts payable	<u>3,981</u>
Net Cash Provided by (Used In) Operating Activities	<u><u>\$ 2,523</u></u>

MISCELLANEOUS SCHEDULES

Exhibit K-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Paid and/or		Outstanding 6-30-06
						Issued During Period	Matured During Period	
PRIMARY GOVERNMENT								
NOTES PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Jackson State Community College Facility	\$ 750,000	4 to 5.2%	7-2-1997	3-1-09	\$ 300,000	\$ 0	\$ 70,000	\$ 230,000
School Bus, Series 1999	875,000	4.25 to 5.3	10-1-1999	10-1-07	325,000	0	110,000	215,000
Buses/Library, Series 2001	1,025,000	4.25 to 4.9	7-9-01	7-1-06	440,000	0	215,000	225,000
Parrish Building - Community South, Series 2005	117,500	3.89	4-15-05	6-30-06	40,000	0	40,000	0
Parrish Building - Central Bank, Series 2005	117,500	3.89	4-15-05	6-30-06	40,000	0	40,000	0
Stockyard Land, Series 2005	87,500	4.19	11-1-05	5-1-08	0	87,500	43,750	43,750
Total Payable through General Debt Service Fund					<u>\$ 1,145,000</u>	<u>\$ 87,500</u>	<u>\$ 518,750</u>	<u>\$ 713,750</u>
<u>Payable through Rural Debt Service Fund</u>								
General Obligation Capital Outlay Note	565,092	0	10-3-05	11-3-05	\$ 0	\$ 261,464	\$ 261,464	\$ 0
General Obligation Capital Outlay Note	261,464	0	2-3-06	3-3-06	0	565,092	565,092	0
Total Payable through Rural Debt Service Fund					<u>\$ 0</u>	<u>\$ 826,556</u>	<u>\$ 826,556</u>	<u>\$ 0</u>
Total Notes Payable					<u>\$ 1,145,000</u>	<u>\$ 914,056</u>	<u>\$ 1,345,306</u>	<u>\$ 713,750</u>
CAPITAL LEASES PAYABLE								
<u>Payable through General Fund</u>								
Rescue Squad Truck	116,588	4.95	7-16-02	7-16-12	\$ 97,546	\$ 0	\$ 10,233	\$ 87,313
Fire Trucks	427,788	4.75	6-6-03	6-6-13	357,334	0	37,757	319,577
Sheriff Department Vehicles	107,645	3.95	1-15-04	1-15-06	35,864	0	35,864	0
Fire Trucks	429,882	4.75	11-21-05	11-21-15	0	429,882	19,874	410,008
Total Capital Leases Payable					<u>\$ 490,744</u>	<u>\$ 429,882</u>	<u>\$ 103,728</u>	<u>\$ 816,898</u>
BONDS PAYABLE								
<u>Payable through Rural Debt Service Fund</u>								
School Refunding Bonds, Series 2002	9,865,000	2 to 3.75	12-17-02	6-1-11	\$ 6,840,000	\$ 0	\$ 1,120,000	\$ 5,720,000
Total Bonds Payable					<u>\$ 6,840,000</u>	<u>\$ 0</u>	<u>\$ 1,120,000</u>	<u>\$ 5,720,000</u>
DISCRETELY PRESENTED HARDIN COUNTY SCHOOL DEPARTMENT								
NOTES PAYABLE								
<u>Payable through General Purpose School Fund</u>								
Energy Efficiency Loan	311,836	3	10-2-00	11-2-07	\$ 141,577	\$ 0	\$ 45,804	\$ 95,773
Total Notes Payable					<u>\$ 141,577</u>	<u>\$ 0</u>	<u>\$ 45,804</u>	<u>\$ 95,773</u>

Exhibit K-2

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

Year Ending June 30	Bonds Requirements	Interest Requirements	Total Requirements
2007	\$ 1,180,000	\$ 186,937	\$ 1,366,937
2008	1,220,000	151,538	1,371,538
2009	1,260,000	114,937	1,374,937
2010	1,305,000	73,987	1,378,987
2011	755,000	28,313	783,313
Total	<u>\$ 5,720,000</u>	<u>\$ 555,712</u>	<u>\$ 6,275,712</u>

Exhibit K-3

Hardin County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2006

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	General Capital Projects	To provide funds for the construction of a new jail	\$ <u>35,529</u>
Total Transfers			\$ <u><u>35,529</u></u>

Exhibit K-4

Hardin County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Hardin 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 113, Private Acts of 1929, as amended	\$ 63,623 (1)	\$ 50,000	CNA Surety Company
Highway Commissioner	Section 8-24-102, <u>TCA</u>	59,452	100,000	"
Director of Schools	State Board of Education and Hardin County Board of Education	89,730 (2)	100,000	Western Surety Company
Trustee	Section 8-24-102, <u>TCA</u>	54,048	708,400	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	54,048	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	54,048	50,000	CNA Surety Company
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	54,048	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	54,048	105,000	Western Surety Company
Register	Section 8-24-102, <u>TCA</u>	54,048	25,000	CNA Surety Company
Sheriff	Section 8-24-102, <u>TCA</u>	59,453	25,000	"
Employee Blanket Bonds:				
Office of County Mayor:				
Director of Accounts and Budget			10,000	Western Surety Company
All Other Employees			5,000	"
Office of Highway Commissioner			5,000	"
Office of Director of Schools			150,000	Tennessee School Boards Risk Management Trust

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

(2) Includes chief executive officer training supplement of \$500 and sick and annual leave pay of \$3,230.

Exhibit K-5

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

	Special Revenue Funds				Debt Service Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	Rural Debt Service	
<u>Local Taxes</u>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 2,854,537	\$ 0	\$ 0	\$ 196,729	\$ 154,299	\$ 0	\$ 3,205,565
Trustee's Collections - Prior Year	155,168	0	0	10,696	8,388	0	174,252
Circuit/Clerk & Master Collections - Prior Years	60,810	0	0	4,190	3,287	0	68,287
Interest and Penalty	53,070	0	0	3,657	2,868	0	59,595
Payments in-Lieu-of Taxes - T.V.A.	1,660	0	0	114	90	0	1,864
Payments in-Lieu-of Taxes - Local Utilities	420	0	0	29	23	0	472
Payments in-Lieu-of Taxes - Other	14,624	0	0	1,008	790	0	16,422
<u>County Local Option Taxes</u>							
Local Option Sales Tax	0	484,538	0	0	0	1,158,638	1,643,176
Hotel/Motel Tax	182,285	0	0	0	0	0	182,285
Wheel Tax	588,548	0	0	120,264	0	0	708,812
Litigation Tax - General	124,242	0	0	0	0	0	124,242
Litigation Tax - Jail, Workhouse, or Courthouse	32,481	0	0	0	0	0	32,481
Business Tax	95,880	0	0	0	0	0	95,880
Mineral Severance Tax	0	0	0	98,217	0	0	98,217
<u>Statutory Local Taxes</u>							
Bank Excise Tax	31,659	0	0	2,182	1,711	0	35,552
Wholesale Beer Tax	0	382,366	0	0	0	0	382,366
Interstate Telecommunications Tax	0	156	0	0	0	0	156
Total Local Taxes	\$ 4,195,384	\$ 867,060	\$ 0	\$ 437,086	\$ 171,456	\$ 1,158,638	\$ 6,829,624
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Marriage Licenses	\$ 1,748	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,748
Cable TV Franchise	70,966	0	0	0	0	0	70,966
<u>Permits</u>							
Beer Permits	7,037	0	0	0	0	0	7,037
Total Licenses and Permits	\$ 79,751	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 79,751
<u>Fines, Forfeitures, and Penalties</u>							
<u>Circuit Court</u>							
Fines	\$ 13,428	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,428

(Continued)

Exhibit K-5

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

	Special Revenue Funds				Debt Service Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	Rural Debt Service	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>							
<u>Circuit Court (Cont.)</u>							
Officers Costs	\$ 3,198	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	3,198
Drug Court Fees	864	0	0	0	0	0	864
DUI Treatment Fines	475	0	0	0	0	0	475
Data Entry Fee - Circuit Court	307	0	0	0	0	0	307
<u>General Sessions Court</u>							
Fines	72,957	0	0	0	0	0	72,957
Officers Costs	55,381	0	0	0	0	0	55,381
Game and Fish Fines	3,816	0	0	0	0	0	3,816
Drug Control Fines	0	0	25,442	0	0	0	25,442
Drug Court Fees	11,479	0	0	0	0	0	11,479
Jail Fees	1,078	0	0	0	0	0	1,078
DUI Treatment Fines	8,378	0	0	0	0	0	8,378
Data Entry Fee - General Sessions Court	3,835	0	0	0	0	0	3,835
Courtroom Security Fee	56	0	0	0	0	0	56
<u>Chancery Court</u>							
Officers Costs	180	0	0	0	0	0	180
Data Entry Fee - Chancery Court	2,075	0	0	0	0	0	2,075
<u>Other Fines, Forfeitures, and Penalties</u>							
Proceeds from Confiscated Property	1,025	0	18,067	0	0	0	19,092
Total Fines, Forfeitures, and Penalties	\$ 178,532	\$ 0	\$ 43,509	\$ 0	\$ 0	\$ 0	222,041
<u>Charges for Current Services</u>							
<u>General Service Charges</u>							
Commercial and Industrial Waste Collection Charge	\$ 0	\$ 142,788	\$ 0	\$ 0	\$ 0	\$ 0	142,788
Other General Service Charges	0	1,370	0	0	0	0	1,370
<u>Fees</u>							
Telephone Commissions	6,698	0	0	0	0	0	6,698
Vending Machine Collections	713	0	0	0	0	0	713
Data Processing Fee - Register	16,620	0	0	0	0	0	16,620
Data Processing Fee - Sheriff	7,061	0	0	0	0	0	7,061
Sexual Offender Registration Fees - Sheriff	1,100	0	0	0	0	0	1,100
Total Charges for Current Services	\$ 32,192	\$ 144,158	\$ 0	\$ 0	\$ 0	\$ 0	176,350

(Continued)

Exhibit K-5

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

	Special Revenue Funds				Debt Service Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	Rural Debt Service	
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	\$ 218,305	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,722	\$ 240,027
Lease/Rentals	76,629	0	0	0	57,600	0	134,229
Commissary Sales	68	0	0	0	0	0	68
Miscellaneous Refunds	17,470	4,292	0	38,367	0	0	60,129
<u>Nonrecurring Items</u>							
Sale of Equipment	20,525	0	0	0	0	0	20,525
Sale of Property	18,620	0	0	4,062	0	0	22,682
<u>Other Local Revenues</u>							
Other Local Revenues	0	0	0	0	23,791	0	23,791
Total Other Local Revenues	\$ 351,617	\$ 4,292	\$ 0	\$ 42,429	\$ 81,391	\$ 21,722	\$ 501,451
<u>Fees Received from County Officials</u>							
<u>Fees-In-Lieu of Salary</u>							
County Clerk	\$ 292,927	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 292,927
Circuit Court Clerk	38,437	0	0	0	0	0	38,437
General Sessions Court Clerk	174,311	0	0	0	0	0	174,311
Clerk and Master	69,751	0	0	0	0	0	69,751
Register	204,571	0	0	0	0	0	204,571
Sheriff	7,227	0	0	0	0	0	7,227
Trustee	307,379	0	0	0	0	0	307,379
Total Fees Received from County Officials	\$ 1,094,603	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,094,603
<u>State of Tennessee</u>							
<u>General Government Grants</u>							
Juvenile Services Program	\$ 9,180	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,180
Aging Programs	22,277	0	0	0	0	0	22,277
State Reappraisal Grant	14,543	0	0	0	0	0	14,543
Solid Waste Grants	0	88,964	0	0	0	0	88,964
<u>Public Safety Grants</u>							
Law Enforcement Training Programs	7,780	0	3,519	0	0	0	11,299
<u>Public Works Grants</u>							
State Aid Program	0	0	0	174,069	0	0	174,069

(Continued)

Exhibit K-5

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

	Special Revenue Funds				Debt Service Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	Rural Debt Service	
<u>State of Tennessee (Cont.)</u>							
<u>Public Works Grants (Cont.)</u>							
Litter Program	\$ 32,932	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 32,932
Other Public Works Grants	0	0	0	256,658	0	0	256,658
<u>Other State Revenues</u>							
Income Tax	86,884	0	0	0	0	0	86,884
Resort District Sales Tax	63,267	0	0	0	0	0	63,267
Beer Tax	17,212	0	0	0	0	0	17,212
Alcoholic Beverage Tax	42,022	0	0	0	0	0	42,022
Mixed Drink Tax	4,953	0	0	0	0	0	4,953
State Revenue Sharing - T.V.A.	264,740	0	0	18,246	14,310	0	297,296
Contracted Prisoner Boarding	32,040	0	0	0	0	0	32,040
Gasoline and Motor Fuel Tax	0	0	0	1,827,852	0	0	1,827,852
Petroleum Special Tax	0	0	0	20,576	0	0	20,576
Registrar's Salary Supplement	16,380	0	0	0	0	0	16,380
Other State Grants	68,643	0	0	0	0	0	68,643
Other State Revenues	36,033	0	0	0	0	0	36,033
Total State of Tennessee	\$ 718,886	\$ 88,964	\$ 3,519	\$ 2,297,401	\$ 14,310	\$ 0	\$ 3,123,080
<u>Federal Government</u>							
<u>Federal Through State</u>							
Community Development	\$ 29,734	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 29,734
Homeland Security Grants	437,234	0	0	103,631	0	0	540,865
<u>Direct Federal Revenue</u>							
Other Direct Federal Revenue	19,057	0	0	0	0	0	19,057
Total Federal Government	\$ 486,025	\$ 0	\$ 0	\$ 103,631	\$ 0	\$ 0	\$ 589,656
<u>Other Governments and Citizens Groups</u>							
<u>Other Governments</u>							
Prisoner Board	\$ 6,760	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,760
Contributions	1,000	0	0	0	778,872	1,147,620	1,927,492
Contracted Services	7,442	3,482	2,064	0	0	0	12,988
<u>Citizens Groups</u>							
Donations	29,526	0	0	0	0	0	29,526

(Continued)

Exhibit K-5

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

	Special Revenue Funds				Debt Service Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	Rural Debt Service	
<u>Other Governments and Citizens Groups (Cont.)</u>							
<u>Other</u>							
Other	\$ 20,181	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,181
Total Other Governments and Citizens Groups	\$ 64,909	\$ 3,482	\$ 2,064	\$ 0	\$ 778,872	\$ 1,147,620	\$ 1,996,947
Total	\$ 7,201,899	\$ 1,107,956	\$ 49,092	\$ 2,880,547	\$ 1,046,029	\$ 2,327,980	\$ 14,613,503

Exhibit K-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 3,815,050	\$ 0	\$ 0	\$ 3,815,050
Trustee's Collections - Prior Year	207,379	0	0	207,379
Circuit/Clerk & Master Collections - Prior Years	81,271	0	0	81,271
Interest and Penalty	69,593	0	0	69,593
Payments in-Lieu-of Taxes - T.V.A.	2,218	0	0	2,218
Payments in-Lieu-of Taxes - Other	20,106	0	0	20,106
<u>County Local Option Taxes</u>				
Local Option Sales Tax	3,013,296	0	0	3,013,296
<u>Statutory Local Taxes</u>				
Bank Excise Tax	42,312	0	0	42,312
Total Local Taxes	\$ 7,251,225	\$ 0	\$ 0	\$ 7,251,225
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 1,748	\$ 0	\$ 0	\$ 1,748
Total Licenses and Permits	\$ 1,748	\$ 0	\$ 0	\$ 1,748
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 262,920	\$ 262,920
Lunch Payments - Adults	0	0	74,310	74,310
Income from Breakfast	0	0	28,983	28,983
A la carte Sales	0	0	387,911	387,911
Receipts from Individual Schools	32,724	0	0	32,724
<u>Other Charges for Services</u>				
Other Charges for Services	254	0	0	254
Total Charges for Current Services	\$ 32,978	\$ 0	\$ 754,124	\$ 787,102
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 11,489	\$ 11,489
Lease/Rentals	1,280	0	0	1,280
Miscellaneous Refunds	40,076	0	0	40,076
<u>Nonrecurring Items</u>				
Sale of Equipment	820	0	0	820
Sale of Property	20,815	0	0	20,815
Damages Recovered from Individuals	1,000	0	0	1,000
<u>Other Local Revenues</u>				
Other Local Revenues	25,947	0	0	25,947
Total Other Local Revenues	\$ 89,938	\$ 0	\$ 11,489	\$ 101,427
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 13,253,135	\$ 0	\$ 0	\$ 13,253,135
Early Childhood Education	140,320	0	0	140,320
School Food Service	22,384	0	0	22,384
Driver Education	12,812	0	0	12,812
Career Ladder Program	312,120	0	0	312,120

(Continued)

Exhibit K-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
Career Ladder - Extended Contract	\$ 119,768	\$ 0	\$ 0	\$ 119,768
<u>Other State Revenues</u>				
Mixed Drink Tax	4,953	0	0	4,953
State Revenue Sharing - T.V.A.	353,821	0	0	353,821
Total State of Tennessee	\$ 14,219,313	\$ 0	\$ 0	\$ 14,219,313
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 779,771	\$ 779,771
Breakfast	0	0	284,139	284,139
Adult Education State Grant Program	125,867	0	0	125,867
Vocational Education - Basic Grants to States	0	137,787	0	137,787
Title I Grants to Local Education Agencies	0	1,502,510	0	1,502,510
Innovative Education Program Strategies	0	93,379	0	93,379
Special Education - Grants to States	1,707	843,976	0	845,683
Eisenhower Professional Development State Grants	0	361,724	0	361,724
Other Federal through State	42,202	77,388	0	119,590
Total Federal Government	\$ 169,776	\$ 3,016,764	\$ 1,063,910	\$ 4,250,450
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 826,556	\$ 0	\$ 0	\$ 826,556
Total Other Governments and Citizens Groups	\$ 826,556	\$ 0	\$ 0	\$ 826,556
Total	\$ 22,591,534	\$ 3,016,764	\$ 1,829,523	\$ 27,437,821

Exhibit K-7

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

General Fund

General Government

County Commission

Clerical Personnel	\$	6,186	
Board and Committee Members Fees		39,000	
Audit Services		5,995	
Dues and Memberships		1,500	
Operating Lease Payments		3,028	
Legal Services		1,300	
Travel		2,794	
Other Charges		1,910	
Total County Commission			\$ 61,713

Board of Equalization

Board and Committee Members Fees	\$	420	
Total Board of Equalization			420

Beer Board

Board and Committee Members Fees	\$	3,200	
Office Supplies		401	
Total Beer Board			3,601

County Mayor/Executive

County Official/Administrative Officer	\$	62,423	
Secretary(ies)		21,710	
Clerical Personnel		10,714	
Communication		2,606	
Postal Charges		4,299	
Travel		4,962	
Office Supplies		3,308	
Office Equipment		500	
Total County Mayor/Executive			110,522

County Attorney

Legal Services	\$	6,965	
Total County Attorney			6,965

Election Commission

County Official/Administrative Officer	\$	45,941	
Part-time Personnel		14,272	
Board and Committee Members Fees		3,135	
Election Workers		1,152	
In-Service Training		261	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Communication	\$	1,498	
Data Processing Services		2,277	
Legal Notices, Recording, and Court Costs		248	
Postal Charges		2,320	
Printing, Stationery, and Forms		3,016	
Travel		2,033	
Office Supplies		2,417	
Office Equipment		4,811	
Total Election Commission			\$ 83,381

Register of Deeds

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		41,937	
Communication		2,195	
Data Processing Services		16,371	
Maintenance & Repair Services - Equipment		850	
Postal Charges		500	
Travel		800	
Other Contracted Services		2,254	
Office Supplies		9,119	
Office Equipment		200	
Total Register of Deeds			128,274

County Buildings

Custodial Personnel	\$	62,430
Maintenance & Repair Services - Buildings		22,678
Maintenance & Repair Services - Equipment		2,920
Pest Control		1,746
Remittance of Revenue Collected		11,292
Custodial Supplies		8,076
Food Supplies		1,882
Gasoline		3,710
Small Tools		367
Utilities		64,599
Other Supplies and Materials		1,006
Building and Contents Insurance		1,975
Liability Insurance		142,088
Premiums on Corporate Surety Bonds		5,717
Other Charges		14,078
Building Improvements		74,174
Land		87,500

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Maintenance Equipment	\$ 998	
Total County Buildings		\$ 507,236

Finance

Accounting and Budgeting

Accountants/Bookkeepers	\$ 40,199	
Clerical Personnel	21,431	
In-Service Training	274	
Communication	1,551	
Contracts with Government Agencies	1,250	
Data Processing Services	11,889	
Travel	954	
Office Supplies	3,498	
Office Equipment	500	
Total Accounting and Budgeting		81,546

Property Assessor's Office

County Official/Administrative Officer	\$ 54,048	
Secretary(ies)	20,585	
Clerical Personnel	43,912	
Other Salaries & Wages	18,617	
In-Service Training	148	
Communication	2,399	
Contracts with Private Agencies	19,800	
Data Processing Services	6,500	
Travel	1,305	
Office Supplies	6,115	
Total Property Assessor's Office		173,429

Reappraisal Program

Other Salaries & Wages	\$ 14,000	
Data Processing Services	5,479	
Postal Charges	1,390	
Travel	3,845	
Office Supplies	1,581	
Total Reappraisal Program		26,295

County Trustee's Office

County Official/Administrative Officer	\$ 54,048
Deputy(ies)	20,663

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Part-time Personnel	\$	14,512	
Other Salaries & Wages		20,804	
Communication		1,665	
Data Processing Services		6,500	
Dues and Memberships		838	
Postal Charges		5,168	
Travel		415	
Office Supplies		1,655	
Total County Trustee's Office			\$ 126,268

County Clerk's Office

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		38,503	
Clerical Personnel		37,973	
Part-time Personnel		29,373	
Communication		4,040	
Data Processing Services		14,025	
Postal Charges		5,798	
Travel		1,100	
Office Supplies		5,287	
Total County Clerk's Office			190,147

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		104,367	
Clerical Personnel		21,710	
Part-time Personnel		10,493	
Board and Committee Members Fees		900	
Jury and Witness Fees		7,845	
Communication		2,852	
Data Processing Services		8,536	
Postal Charges		2,096	
Travel		833	
Office Supplies		14,318	
Other Charges		659	
Office Equipment		1,166	
Total Circuit Court			229,823

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court

Judge(s)	\$	82,095	
Secretary(ies)		21,199	
Communication		514	
Travel		1,959	
Other Contracted Services		32	
Office Supplies		1,200	
Total General Sessions Court			\$ 106,999

Drug Court

Remittance of Revenue Collected	\$	12,343	
Total Drug Court			12,343

Chancery Court

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		20,663	
Other Salaries & Wages		14,166	
Communication		990	
Postal Charges		400	
Travel		1,097	
Office Supplies		5,272	
Total Chancery Court			96,636

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	59,453	
Assistant(s)		22,002	
Deputy(ies)		466,911	
Salary Supplements		7,780	
Secretary(ies)		23,534	
In-Service Training		693	
Communication		5,845	
Data Processing Services		720	
Dues and Memberships		1,500	
Maintenance & Repair Services - Equipment		438	
Maintenance & Repair Services - Vehicles		22,725	
Travel		63	
Remittance of Revenue Collected		50	
Other Contracted Services		40,000	
Gasoline		61,469	
Law Enforcement Supplies		924	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Office Supplies	\$	7,886	
Uniforms		6,444	
Utilities		772	
Principal on Capital Leases		35,864	
Interest on Capital Leases		1,416	
Communication Equipment		1,188	
Law Enforcement Equipment		2,647	
Motor Vehicles		11,338	
Total Sheriff's Department			\$ 781,662

Traffic Control

Deputy(ies)	\$	64,907	
Other Fringe Benefits		21,730	
Travel		186	
Other Supplies and Materials		568	
Total Traffic Control			87,391

Jail

Guards	\$	216,737	
Attendants		1,000	
Communication		5,146	
Legal Services		73,075	
Maintenance & Repair Services - Buildings		12,958	
Medical and Dental Services		87,796	
Custodial Supplies		11,328	
Food Preparation Supplies		2,311	
Food Supplies		81,355	
Office Supplies		2,198	
Prisoners Clothing		2,132	
Uniforms		3,428	
Utilities		37,450	
Site Development		22,004	
Total Jail			558,918

Juvenile Services

Youth Service Officer(s)	\$	33,698	
Educational Assistants		23,688	
In-Service Training		1,072	
Communication		1,783	
Data Processing Services		1,200	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Juvenile Services (Cont.)

Transportation - Other than Students	\$	375	
Travel		500	
Office Supplies		2,589	
Office Equipment		3,514	
Total Juvenile Services			\$ 68,419

Fire Prevention and Control

Captain(s)	\$	38,072	
Mechanic(s)		46,020	
Other Salaries & Wages		22,094	
In-Service Training		2,300	
Communication		5,775	
Maintenance & Repair Services - Equipment		7,923	
Maintenance & Repair Services - Vehicles		48,170	
Travel		1,496	
Drugs and Medical Supplies		991	
Gasoline		30,341	
Instructional Supplies and Materials		2,700	
Office Supplies		2,239	
Uniforms		2,917	
Utilities		35,888	
Other Supplies and Materials		1,460	
Principal on Capital Leases		67,864	
Interest on Capital Leases		33,479	
Motor Vehicles		503,535	
Site Development		6,100	
Other Equipment		118,237	
Other Capital Outlay		190,003	
Total Fire Prevention and Control			1,167,604

Civil Defense

Assistant(s)	\$	22,287	
Clerical Personnel		7,638	
Part-time Personnel		6,500	
Other Salaries & Wages		1,798	
Communication		1,997	
Maintenance & Repair Services - Equipment		1,501	
Maintenance & Repair Services - Vehicles		1,982	
Equipment and Machinery Parts		4,659	
Instructional Supplies and Materials		168,824	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense (Cont.)

Office Supplies	\$	1,748	
Other Supplies and Materials		1,305	
Communication Equipment		61,465	
Office Equipment		300	
Total Civil Defense			\$ 282,004

Public Safety Grant Programs

Other Salaries & Wages	\$	3,949	
Instructional Supplies and Materials		16,321	
Total Public Safety Grant Programs			20,270

Other Public Safety

Supervisor/Director	\$	2,941	
Contracts with Government Agencies		198,833	
Total Other Public Safety			201,774

Public Health and Welfare

Local Health Center

Medical Personnel	\$	32,541	
Custodial Personnel		4,980	
Communication		1,762	
Contracts with Government Agencies		34,000	
Maintenance & Repair Services - Buildings		1,100	
Postal Charges		2,797	
Travel		6,534	
Drugs and Medical Supplies		1,289	
Office Supplies		3,802	
Utilities		9,682	
Site Development		79,988	
Total Local Health Center			178,475

Rabies and Animal Control

Contracts with Government Agencies	\$	2,200	
Total Rabies and Animal Control			2,200

Ambulance/Emergency Medical Services

Contracts with Private Agencies	\$	100,000	
Utilities		772	
Motor Vehicles		80,238	
Total Ambulance/Emergency Medical Services			181,010

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Alcohol and Drug Programs

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

Crippled Children Services

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

Other Local Health Services

Supervisor/Director	\$ 472	
Social Security	36	
Travel	474	
Total Other Local Health Services		982

General Welfare Assistance

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

Other Local Welfare Services

Supervisor/Director	\$ 5,820	
Social Security	361	
Unemployment Compensation	93	
Employer Medicare	84	
Travel	63	
Total Other Local Welfare Services		6,421

Sanitation Education/Information

Foremen	\$ 27,000	
Other Salaries & Wages	23,500	
Maintenance & Repair Services - Equipment	1,236	
Gasoline	2,600	
Instructional Supplies and Materials	6,692	
Other Supplies and Materials	2,187	
Total Sanitation Education/Information		63,215

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$ 20,663	
Custodial Personnel	3,848	
Other Salaries & Wages	8,075	
Communication	1,187	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Senior Citizens Assistance (Cont.)

Maintenance & Repair Services - Buildings	\$	71	
Maintenance & Repair Services - Vehicles		789	
Postal Charges		75	
Travel		800	
Office Supplies		397	
Utilities		1,247	
Other Supplies and Materials		499	
Vehicle and Equipment Insurance		643	
Total Senior Citizens Assistance			\$ 38,294

Libraries

Assistant(s)	\$	19,518	
Supervisor/Director		27,833	
Part-time Personnel		8,908	
Other Salaries & Wages		56,550	
Communication		3,712	
Janitorial Services		4,671	
Office Supplies		18,131	
Utilities		27,100	
Total Libraries			166,423

Other Social, Cultural, and Recreational

Contributions	\$	19,000	
Total Other Social, Cultural, and Recreational			19,000

Agriculture & Natural Resources

Agriculture Extension Service

County Official/Administrative Officer	\$	18,247	
Assistant(s)		18,584	
Deputy(ies)		9,802	
Secretary(ies)		7,330	
Social Security		1,311	
Extension Service Medicare		534	
Other Fringe Benefits		4,354	
Office Supplies		5,000	
Total Agriculture Extension Service			65,162

Forest Service

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

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Soil Conservation

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

Flood Control

Other Salaries & Wages	\$ 3,000	
Office Supplies	1,743	
Total Flood Control		4,743

Other Agriculture & Natural Resources

Part-time Personnel	\$ 2,204	
Utilities	712	
Total Other Agriculture & Natural Resources		2,916

Other Operations

Tourism

Contributions	\$ 174,670	
Total Tourism		174,670

Industrial Development

Contracts with Government Agencies	\$ 40,000	
Dues and Memberships	11,746	
Other Charges	230	
Total Industrial Development		51,976

Housing and Urban Development

Contracts with Private Agencies	\$ 1,374	
Total Housing and Urban Development		1,374

Other Economic and Community Development

Other Charges	\$ 11,069	
Total Other Economic and Community Development		11,069

Airport

Contributions	\$ 12,500	
Total Airport		12,500

Veterans' Services

Supervisor/Director	\$ 18,988	
Salary Supplements	1,154	
Secretary(ies)	9,581	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services (Cont.)

Communication	\$	1,640	
Travel		1,000	
Office Supplies		1,342	
Office Equipment		1,200	
Total Veterans' Services			\$ 34,905

Other Charges

Operating Lease Payments	\$	2,700	
Trustee's Commission		81,503	
Workers' Compensation Insurance		76,760	
Other Self-Insured Claims		7,395	
Total Other Charges			168,358

Contributions to Other Agencies

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

Employee Benefits

Social Security	\$	153,912	
State Retirement		197,250	
Life Insurance		8,357	
Medical Insurance		374,240	
Dental Insurance		16,077	
Unemployment Compensation		12,338	
Employer Medicare		35,996	
Other Fringe Benefits		7,125	
Total Employee Benefits			805,295

Miscellaneous

Medical and Dental Services	\$	217	
Other Charges		4,386	
Total Miscellaneous			4,603

Total General Fund \$ 7,152,820

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$	40,199	
Secretary(ies)		10,714	

(Continued)

Exhibit K-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Management (Cont.)

Communication	\$	3,073	
Maintenance & Repair Services - Equipment		949	
Travel		1,128	
Office Supplies		2,501	
Total Sanitation Management			\$ 58,564

Waste Pickup

Mechanic(s)	\$	28,558	
Truck Drivers		111,150	
Maintenance & Repair Services - Equipment		40,388	
Gasoline		80,868	
Small Tools		1,396	
Tires and Tubes		11,392	
Other Supplies and Materials		1,925	
Total Waste Pickup			275,677

Convenience Centers

Laborers	\$	178,463	
Advertising		363	
Communication		4,752	
Rentals		1,850	
Utilities		14,255	
Other Supplies and Materials		11,982	
Site Development		52,880	
Total Convenience Centers			264,545

Landfill Operation and Maintenance

Disposal Fees	\$	327,766	
Other Contracted Services		10,094	
Total Landfill Operation and Maintenance			337,860

Other Operations

Other Charges

Trustee's Commission	\$	10,033	
Workers' Compensation Insurance		37,549	
Total Other Charges			47,582

Employee Benefits

Social Security	\$	22,876	
State Retirement		18,446	

(Continued)

Exhibit K-7

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

Solid Waste/Sanitation Fund (Cont.)

Other Operations (Cont.)

Employee Benefits (Cont.)

Life Insurance	\$	741	
Medical Insurance		37,576	
Dental Insurance		1,412	
Unemployment Compensation		3,525	
Employer Medicare		5,349	
Total Employee Benefits			\$ 89,925

Total Solid Waste/Sanitation Fund \$ 1,074,153

Drug Control Fund

Public Safety

Drug Enforcement

Investigator(s)	\$	28,930	
Salary Supplements		3,519	
Animal Food and Supplies		607	
Office Supplies		543	
Total Drug Enforcement			\$ 33,599

Other Operations

Employee Benefits

Social Security	\$	2,035	
State Retirement		2,627	
Life Insurance		85	
Medical Insurance		4,983	
Dental Insurance		217	
Unemployment Compensation		119	
Employer Medicare		476	
Total Employee Benefits			10,542

Total Drug Control Fund 44,141

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	59,452	
Assistant(s)		42,840	
Secretary to Board		1,200	
Accountants/Bookkeepers		58,032	
Board and Committee Members Fees		4,800	
Communication		15,285	

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Data Processing Services	\$	6,447	
Dues and Memberships		2,900	
Legal Notices, Recording, and Court Costs		850	
Maintenance Agreements		382	
Postal Charges		847	
Printing, Stationery, and Forms		1,373	
Travel		9,028	
Electricity		5,658	
Food Preparation Supplies		1,000	
Natural Gas		1,694	
Office Supplies		2,121	
Water and Sewer		494	
Other Charges		487	
Total Administration			\$ 214,890

Highway and Bridge Maintenance

Laborers	\$	683,157	
Clerical Personnel		6,248	
Other Contracted Services		191,917	
Asphalt		127,160	
Asphalt - Cold Mix		12,773	
Asphalt - Hot Mix		367,258	
Concrete		904	
Crushed Stone		90,179	
Office Supplies		154	
Pipe		14,014	
Road Signs		12,027	
Wood Products		440	
Gravel and Chert		787	
Other Supplies and Materials		9,059	
Total Highway and Bridge Maintenance			1,516,077

Operation and Maintenance of Equipment

Mechanic(s)	\$	21,736	
Laborers		27,900	
Maintenance Personnel		36,951	
Maintenance & Repair Services - Equipment		21,674	
Maintenance & Repair Services - Vehicles		14,912	
Diesel Fuel		90,005	
Equipment and Machinery Parts		53,585	

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Garage Supplies	\$	3,209	
Gasoline		20,324	
Lubricants		7,816	
Propane Gas		672	
Small Tools		80	
Tires and Tubes		31,132	
Other Supplies and Materials		<u>1,158</u>	
Total Operation and Maintenance of Equipment	\$		331,154

Other Charges

Liability Insurance	\$	56,901	
Trustee's Commission		25,229	
Workers' Compensation Insurance		130,160	
Interest on Notes		<u>2,691</u>	
Total Other Charges			214,981

Employee Benefits

Social Security	\$	71,455	
State Retirement		73,563	
Life Insurance		5,165	
Medical Insurance		182,943	
Dental Insurance		7,408	
Unemployment Compensation		<u>8,749</u>	
Total Employee Benefits			349,283

Capital Outlay

Maintenance & Repair Services - Buildings	\$	7,048	
Bridge Construction		56,779	
Data Processing Equipment		478	
Highway Equipment		10,285	
Motor Vehicles		24,878	
Office Equipment		1,362	
State Aid Projects		<u>351</u>	
Total Capital Outlay			<u>101,181</u>

Total Highway/Public Works Fund \$ 2,727,566

(Continued)

Exhibit K-7

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

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$ 307,700	
Principal on Other Loans	<u>191,000</u>	
Total General Government		\$ 498,700

Education

Principal on Notes	\$ 211,050	
Total Education		211,050

Interest on Debt

General Government

Interest on Notes	\$ 28,681	
Interest on Other Loans	<u>238,021</u>	
Total General Government		266,702

Education

Interest on Notes	\$ 21,644	
Total Education		21,644

Other Debt Service

General Government

Trustee's Commission	\$ 4,086	
Other Debt Service	<u>23,641</u>	
Total General Government		<u>27,727</u>

Total General Debt Service Fund \$ 1,025,823

Rural Debt Service Fund

Principal on Debt

Education

Principal on Bonds	\$ 1,120,000	
Principal on Notes	<u>826,556</u>	
Total Education		\$ 1,946,556

Interest on Debt

Education

Interest on Bonds	\$ 220,538	
Total Education		220,538

(Continued)

Exhibit K-7

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

<u>Rural Debt Service Fund (Cont.)</u>			
<u>Other Debt Service</u>			
<u>Education</u>			
Trustee's Commission	\$	11,483	
Other Debt Service		<u>482</u>	
Total Education			\$ <u>11,965</u>
Total Rural Debt Service Fund			\$ 2,179,059
<u>General Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Other General Government Projects</u>			
Architects	\$	<u>57,809</u>	
Total Other General Government Projects			\$ <u>57,809</u>
Total General Capital Projects Fund			57,809
<u>Education Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Education Capital Projects</u>			
Contributions	\$	<u>826,556</u>	
Total Education Capital Projects			\$ <u>826,556</u>
Total Education Capital Projects Fund			<u>826,556</u>
Total Governmental Funds - Primary Government			<u>\$ 15,087,927</u>

Exhibit K-8

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 7,891,238	
Career Ladder Program	186,622	
Career Ladder Extended Contracts	103,000	
Educational Assistants	223,813	
Other Salaries & Wages	13,470	
Certified Substitute Teachers	121,547	
Social Security	505,546	
State Retirement	470,631	
Medical Insurance	1,354,523	
Dental Insurance	62,026	
Unemployment Compensation	12,250	
Employer Medicare	118,233	
Maintenance & Repair Services - Equipment	23,457	
Other Contracted Services	4,707	
Instructional Supplies and Materials	22,619	
Textbooks	257,092	
Other Supplies and Materials	111,176	
Other Charges	745	
Regular Instruction Equipment	4,251	
Total Regular Instruction Program		\$ 11,486,946

Special Education Program

Teachers	\$ 1,055,668	
Career Ladder Program	22,334	
Educational Assistants	20,848	
Certified Substitute Teachers	8,521	
Social Security	66,706	
State Retirement	60,303	
Medical Insurance	167,212	
Dental Insurance	8,090	
Unemployment Compensation	1,361	
Employer Medicare	15,601	
Contracts with Private Agencies	7,721	
Maintenance & Repair Services - Equipment	195	
Other Contracted Services	1,000	
Instructional Supplies and Materials	444	
Other Supplies and Materials	2,898	
Other Charges	307	
Total Special Education Program		1,439,209

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Teachers	\$	517,009	
Career Ladder Program		11,275	
Certified Substitute Teachers		10,220	
Social Security		32,072	
State Retirement		29,056	
Medical Insurance		80,719	
Dental Insurance		3,774	
Unemployment Compensation		659	
Employer Medicare		7,501	
Other Contracted Services		1,000	
Other Supplies and Materials		16,539	
Total Vocational Education Program			\$ 709,824

Adult Education Program

Teachers	\$	22,309	
Other Salaries & Wages		29,805	
Social Security		3,225	
State Retirement		673	
Unemployment Compensation		167	
Employer Medicare		754	
Instructional Supplies and Materials		14,676	
Other Charges		66	
Other Equipment		855	
Total Adult Education Program			72,530

Support Services

Attendance

Supervisor/Director	\$	24,560	
Career Ladder Program		3,000	
Social Security		1,708	
State Retirement		1,516	
Medical Insurance		4,453	
Dental Insurance		271	
Unemployment Compensation		25	
Employer Medicare		399	
Travel		1,840	
Other Supplies and Materials		1,233	
In Service/Staff Development		200	
Attendance Equipment		12,688	
Total Attendance			51,893

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)
Support Services (Cont.)

Health Services

Medical Personnel	\$	56,532	
Social Security		3,504	
State Retirement		5,111	
Medical Insurance		9,312	
Dental Insurance		542	
Unemployment Compensation		94	
Employer Medicare		819	
Travel		652	
Drugs and Medical Supplies		4,646	
Other Supplies and Materials		1,517	
In Service/Staff Development		1,455	
Other Charges		144	
Total Health Services			\$ 84,328

Other Student Support

Career Ladder Program	\$	9,990	
Guidance Personnel		507,214	
Guards		18,308	
Attendants		15,831	
Other Salaries & Wages		47,169	
Social Security		35,560	
State Retirement		34,027	
Medical Insurance		97,935	
Dental Insurance		4,357	
Unemployment Compensation		831	
Employer Medicare		8,352	
Evaluation and Testing		9,766	
Travel		1,944	
Other Contracted Services		675	
Other Supplies and Materials		1,240	
In Service/Staff Development		805	
Other Charges		51	
Total Other Student Support			794,055

Regular Instruction Program

Supervisor/Director	\$	139,358
Career Ladder Program		18,000
Librarians		285,683
Instructional Computer Personnel		43,660

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Clerical Personnel	\$	14,212	
Other Salaries & Wages		20,921	
Social Security		31,197	
State Retirement		28,490	
Medical Insurance		65,817	
Dental Insurance		2,899	
Unemployment Compensation		642	
Employer Medicare		7,296	
Dues and Memberships		40	
Travel		12,925	
Other Contracted Services		5,601	
Library Books/Media		44,659	
Other Supplies and Materials		5,424	
In Service/Staff Development		764	
Other Charges		481	
Other Equipment		6,517	
Total Regular Instruction Program			\$ 734,586

Special Education Program

Supervisor/Director	\$	54,000	
Career Ladder Program		3,000	
Assessment Personnel		48,009	
Social Security		6,474	
State Retirement		6,917	
Medical Insurance		4,217	
Dental Insurance		251	
Unemployment Compensation		118	
Employer Medicare		1,594	
Maintenance & Repair Services - Equipment		1,104	
Travel		21,248	
Other Supplies and Materials		1,136	
In Service/Staff Development		540	
Other Charges		1,714	
Total Special Education Program			150,322

Vocational Education Program

Supervisor/Director	\$	28,499
Career Ladder Program		100
Secretary(ies)		9,200

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program (Cont.)

Other Salaries & Wages	\$	28,499	
Social Security		3,832	
State Retirement		3,972	
Medical Insurance		13,509	
Dental Insurance		542	
Unemployment Compensation		122	
Employer Medicare		896	
Travel		2,790	
Other Supplies and Materials		179	
Other Charges		3,119	
Total Vocational Education Program			\$ 95,259

Adult Programs

Supervisor/Director	\$	48,356	
Social Security		2,977	
State Retirement		2,660	
Medical Insurance		4,859	
Dental Insurance		271	
Unemployment Compensation		46	
Employer Medicare		696	
Maintenance & Repair Services - Equipment		204	
Travel		1,816	
Other Supplies and Materials		1,068	
In Service/Staff Development		302	
Other Charges		2,410	
Total Adult Programs			65,665

Board of Education

Board and Committee Members Fees	\$	10,861	
Dental Insurance		1,626	
Other Fringe Benefits		22,219	
Audit Services		10,000	
Dues and Memberships		8,314	
Travel		2,634	
Other Contracted Services		1,750	
Other Supplies and Materials		320	
Liability Insurance		41,377	
Trustee's Commission		161,355	
Workers' Compensation Insurance		168,031	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

In Service/Staff Development	\$ 3,400	
Total Board of Education		\$ 431,887

Director of Schools

County Official/Administrative Officer	\$ 89,230	
Career Ladder Program	500	
Secretary(ies)	28,425	
Clerical Personnel	14,212	
Social Security	7,874	
State Retirement	8,585	
Medical Insurance	14,262	
Dental Insurance	813	
Unemployment Compensation	70	
Employer Medicare	1,841	
Communication	1,547	
Dues and Memberships	1,898	
Maintenance & Repair Services - Equipment	1,701	
Postal Charges	2,060	
Travel	1,873	
Office Supplies	3,800	
Other Supplies and Materials	320	
Other Charges	220	
Administration Equipment	1,445	
Total Director of Schools		180,676

Office of the Principal

Principals	\$ 302,384
Career Ladder Program	14,000
Accountants/Bookkeepers	24,174
Assistant Principals	133,503
Secretary(ies)	130,916
Clerical Personnel	624
Social Security	35,996
State Retirement	38,727
Medical Insurance	95,180
Dental Insurance	5,150
Unemployment Compensation	933
Employer Medicare	8,419
Communication	12,351

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Maintenance & Repair Services - Equipment	\$	1,701	
Postal Charges		1,950	
Travel		2,328	
Other Contracted Services		6,575	
Other Supplies and Materials		840	
Administration Equipment		776	
Total Office of the Principal			\$ 816,527

Fiscal Services

Supervisor/Director	\$	52,033	
Accountants/Bookkeepers		28,425	
Social Security		4,972	
State Retirement		7,273	
Medical Insurance		9,312	
Dental Insurance		542	
Unemployment Compensation		94	
Employer Medicare		1,163	
Data Processing Services		5,360	
Dues and Memberships		85	
Maintenance & Repair Services - Equipment		1,805	
Travel		1,650	
Data Processing Supplies		761	
Office Supplies		2,129	
Other Supplies and Materials		165	
Other Charges		291	
Administration Equipment		2,850	
Total Fiscal Services			118,910

Operation of Plant

Custodial Personnel	\$	317,463	
Other Salaries & Wages		211	
Social Security		19,372	
State Retirement		27,498	
Medical Insurance		106,811	
Dental Insurance		6,339	
Unemployment Compensation		1,354	
Employer Medicare		4,530	
Janitorial Services		780	
Laundry Service		3,070	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Disposal Fees	\$	2,617	
Other Contracted Services		1,868	
Custodial Supplies		74,329	
Electricity		671,203	
Natural Gas		229,150	
Water and Sewer		43,374	
Other Supplies and Materials		23,368	
Boiler Insurance		6,281	
Building and Contents Insurance		114,428	
Other Charges		1,494	
Plant Operation Equipment		2,458	
Total Operation of Plant			\$ 1,657,998

Maintenance of Plant

Supervisor/Director	\$	35,973	
Maintenance Personnel		111,919	
Other Salaries & Wages		2,160	
Social Security		8,787	
State Retirement		13,565	
Medical Insurance		30,962	
Dental Insurance		1,897	
Unemployment Compensation		292	
Employer Medicare		2,055	
Maintenance & Repair Services - Buildings		31,086	
Maintenance & Repair Services - Equipment		39,321	
Other Contracted Services		107	
Equipment and Machinery Parts		64,057	
General Construction Materials		22,005	
Other Supplies and Materials		12,141	
Other Charges		950	
Total Maintenance of Plant			377,277

Transportation

Supervisor/Director	\$	31,772	
Mechanic(s)		52,993	
Bus Drivers		340,884	
Social Security		25,884	
State Retirement		36,398	
Medical Insurance		48,409	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Dental Insurance	\$	2,773	
Unemployment Compensation		1,499	
Employer Medicare		6,053	
Contracts with Parents		14,552	
Maintenance & Repair Services - Vehicles		12,008	
Medical and Dental Services		3,537	
Travel		566	
Diesel Fuel		139,253	
Garage Supplies		3,252	
Gasoline		13,732	
Lubricants		4,687	
Tires and Tubes		25,560	
Vehicle Parts		38,500	
Other Supplies and Materials		9,078	
Vehicle and Equipment Insurance		35,329	
In Service/Staff Development		600	
Other Charges		2,766	
Transportation Equipment		3,500	
Total Transportation			\$ 853,585

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	53,502	
Career Ladder Program		3,000	
Accountants/Bookkeepers		28,425	
Other Salaries & Wages		4,749	
Social Security		5,316	
State Retirement		6,007	
Medical Insurance		266,854	
Dental Insurance		15,632	
Unemployment Compensation		117	
Employer Medicare		1,243	
Communication		1,800	
Travel		4,142	
Other Supplies and Materials		717	
In Service/Staff Development		1,603	
Total Food Service			393,107

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education

Teachers	\$	67,878	
Educational Assistants		12,484	
Social Security		4,703	
State Retirement		4,085	
Medical Insurance		14,775	
Dental Insurance		689	
Unemployment Compensation		176	
Employer Medicare		1,100	
Maintenance & Repair Services - Equipment		1,327	
Other Contracted Services		300	
Instructional Supplies and Materials		9,003	
Other Supplies and Materials		28,256	
In Service/Staff Development		437	
Total Early Childhood Education			\$ 145,213

Capital Outlay

Regular Capital Outlay

Land	\$	525,027	
Other Capital Outlay		311,106	
Total Regular Capital Outlay			836,133

Principal on Debt

Education

Principal on Notes	\$	45,804	
Total Education			45,804

Interest on Debt

Education

Interest on Notes	\$	4,247	
Total Education			4,247

Other Debt Service

Education

Contributions	\$	1,385,823	
Total Education			1,385,823

Total General Purpose School Fund \$ 22,931,804

(Continued)

Exhibit K-8

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	706,993	
Educational Assistants		102,702	
Other Salaries & Wages		28,489	
Certified Substitute Teachers		11,460	
Social Security		44,507	
State Retirement		46,592	
Medical Insurance		167,911	
Dental Insurance		8,007	
Unemployment Compensation		1,359	
Employer Medicare		10,409	
Other Contracted Services		14,491	
Instructional Supplies and Materials		213,005	
Other Supplies and Materials		13,309	
Regular Instruction Equipment		105,250	
Total Regular Instruction Program			\$ 1,474,484

Special Education Program

Teachers	\$	53,704	
Educational Assistants		250,104	
Other Salaries & Wages		27,653	
Social Security		20,103	
State Retirement		24,458	
Medical Insurance		126,743	
Dental Insurance		6,951	
Unemployment Compensation		1,300	
Employer Medicare		4,702	
Other Contracted Services		13,963	
Instructional Supplies and Materials		24,904	
Other Supplies and Materials		1,805	
Special Education Equipment		155,925	
Total Special Education Program			712,315

Vocational Education Program

Teachers	\$	29,216
Social Security		1,784
State Retirement		1,607
Medical Insurance		4,453
Dental Insurance		271
Unemployment Compensation		47

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Employer Medicare	\$	417	
Other Contracted Services		55	
Other Supplies and Materials		12,164	
Other Charges		1,052	
Vocational Instruction Equipment		76,903	
Total Vocational Education Program			\$ 127,969

Support Services

Other Student Support

Psychological Personnel	\$	8,353	
School Resource Officer		2,421	
Social Security		668	
State Retirement		585	
Medical Insurance		4,000	
Dental Insurance		250	
Employer Medicare		41	
Travel		9,285	
Other Supplies and Materials		10,238	
In Service/Staff Development		520	
Other Equipment		4,427	
Total Other Student Support			40,788

Regular Instruction Program

Supervisor/Director	\$	59,620	
Other Salaries & Wages		228,697	
Social Security		17,190	
State Retirement		16,064	
Medical Insurance		29,228	
Dental Insurance		1,355	
Unemployment Compensation		363	
Employer Medicare		4,020	
Consultants		1,000	
Dues and Memberships		20	
Maintenance & Repair Services - Equipment		120	
Travel		38,425	
Library Books/Media		1,052	
Other Supplies and Materials		11,601	
In Service/Staff Development		39,056	
Other Charges		556	

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Other Equipment	\$ 17,163	
Total Regular Instruction Program		\$ 465,530

Special Education Program

Psychological Personnel	\$ 65,863	
Assessment Personnel	64,235	
Secretary(ies)	10,623	
Other Salaries & Wages	28,918	
Social Security	9,942	
State Retirement	13,061	
Medical Insurance	18,838	
Dental Insurance	1,177	
Unemployment Compensation	277	
Employer Medicare	2,325	
Travel	2,973	
Other Contracted Services	4,250	
In Service/Staff Development	2,975	
Total Special Education Program	<u>225,457</u>	<u>225,457</u>

Total School Federal Projects Fund		\$ 3,046,543
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Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$ 571,155
Other Salaries & Wages	31,544
Social Security	36,806
State Retirement	47,935
Unemployment Compensation	2,994
Employer Medicare	8,608
Communication	3,446
Maintenance & Repair Services - Equipment	12,368
Transportation - Other than Students	9,728
Travel	818
Other Contracted Services	8,420
Food Preparation Supplies	40,126
Food Supplies	851,890
Office Supplies	5,922
Other Supplies and Materials	25,795

(Continued)

Exhibit K-8

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

In Service/Staff Development	\$	1,018	
Other Charges		1,302	
Food Service Equipment		<u>35,612</u>	
Total Food Service			<u>\$ 1,695,487</u>

Total Central Cafeteria Fund \$ 1,695,487

Total Governmental Funds - Hardin County School Department \$ 27,673,834

Exhibit K-9

Hardin 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	<u>\$ 1,368,999</u>
Total Cash Receipts	<u>\$ 1,368,999</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,355,309
Trustee's Commission	<u>13,690</u>
Total Cash Disbursements	<u>\$ 1,368,999</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

December 8, 2006

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise Hardin County's basic financial statements and have issued our report thereon dated December 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hardin County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Hardin County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the

accompanying Schedule of Findings and Questioned Costs as items 06.01, 06.04, and 06.05.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hardin County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 06.02 and 06.03.

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

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

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/rc



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

December 8, 2006

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Hardin County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Hardin County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Hardin County's management. Our responsibility is to express an opinion on Hardin County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hardin County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Hardin County's compliance with those requirements.

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

June 30, 2006. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be disclosed in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as items 06.02 and 06.06.

Internal Control Over Compliance

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

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

Schedule of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, Tennessee, as of and for the year ended June 30, 2006, and have issued our report thereon dated December 8, 2006. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/rc

OTHER AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
For Park Rest Hardin County Health Center

Park Rest Hardin County Health Center
Savannah, Tennessee

We have audited the financial statements of Park Rest Hardin County Health Center as of and for the year ended June 30, 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 the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Park Rest Hardin County Health Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide 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 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. 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 part of obtaining reasonable assurance about whether Park Rest Hardin County Health Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended for the information of management and government regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

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

For Hardin Medical Center

Chairman and Board of Directors
Hardin Medical Center
Savannah, Tennessee

We have audited the financial statements of Hardin Medical Center as of and for the year ended June 30, 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 the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hardin Medical Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide 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 structure 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 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 part of obtaining reasonable assurance about whether Hardin Medical Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

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

For Hardin County Emergency Communications District

Board of Directors
Hardin County Emergency Communications District
Savannah, Tennessee

We have audited the financial statements of Hardin County Emergency Communications District, a component unit of Hardin 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 the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be 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 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 part of obtaining reasonable assurance about whether the district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described below.

2006-01 EXPENDITURES EXCEEDING APPROPRIATIONS

The district had expenditures which exceeded appropriations at line-item levels.

Recommendation: We recommend that expenditures be monitored and budget amendments be made when necessary.

Management's Response: We agree and will monitor more closely in the future.

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

Hardin County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 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	\$ 91,798
Passed-through State Department of Education:			
Child Nutrition Cluster: School Breakfast Program	10.553	N/A	284,139
National School Lunch Program	10.555	N/A	779,771
Total U. S. Department of Agriculture			<u>\$ 1,155,708</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development: Community Development Block Grants - State's Program	14.228	(2)	\$ 29,734
Passed-through State Housing Development Agency: HOME Investment Partnerships Program	14.239	(2)	1,374
Total U.S. Department of Housing and Urban Development			<u>\$ 31,108</u>
U.S. Department of Justice:			
Passed-through State Office of Juvenile Justice and Delinquency Prevention: Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Z0600260200	\$ 9,180
Total U.S. Department of Justice			<u>\$ 9,180</u>
U.S. Department of the Treasury:			
Direct Program: Gang Resistance Education and Training	16.737	N/A	\$ 19,057
Total U.S. Department of the Treasury			<u>\$ 19,057</u>
U.S. Department of Labor:			
Passed-through Southwest Human Resource Agency: Incentives Grants - WIA Section 503	17.267	(2)	\$ 9,675
Passed-through State Department of Labor and Workforce Development: Incentives Grants - WIA Section 503	17.267	(2)	3,020
Total U.S. Department of Labor			<u>\$ 12,695</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation: State and Community Highway Safety	20.600	(2)	\$ 67,269
Total U.S. Department of Transportation			<u>\$ 67,269</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development: Adult Education - State Grant Program	84.002	(2)	\$ 125,867
Vocational Education - Basic Grants to States	84.048	N/A	137,462

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Education (Cont.):			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010A	N/A	\$ 1,026,032
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	263,196
Special Education - Preschool Grants	84.173	N/A	675,485
Safe and Drug-Free Schools and Communities - State Grants	84.186A	(2)	22,751
State Grants for Innovative Programs	84.298A	N/A	11,613
Education Technology State Grants	84.318X	(2)	111,489
Reading First State Grants	84.357	(2)	443,278
Rural Education	84.358B	N/A	80,643
Improving Teacher Quality State Grants	84.367A	N/A	234,476
Hurricane Education Recovery	84.938C	N/A	41,828
Total U.S. Department of Education			<u>\$ 3,174,120</u>
U.S. Department of Health and Human Services:			
Passed-through Administration on Aging:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	(2)	\$ 22,277
Passed-through State Department of Labor and Workforce Development:			
Temporary Assistance for Needy Families	93.558	Z060271870	29,507
Total U.S. Department of Health and Human Services			<u>\$ 51,784</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants- Public Assistance	97.036	Z0301788700	\$ 103,631
Emergency Management Performance Grants	97.042	Z0402245001	185,120
Assistance to Firefighters Grant	97.044	(2)	180,500
Homeland Security Grant Program	97.067	(3)	71,614
Total U.S. Department of Homeland Security			<u>\$ 540,865</u>
Total Expenditures of Federal Awards			<u>\$ 5,061,786</u>
State Grants:			
Litter Program - State Department of Transportation	N/A	<u>Contract Number</u> Z062796607	\$ 32,932
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	14,543
Optional Safety Grant - State Department of Transportation	N/A	(2)	256,658
Waste Reduction Grant - State Department of Environment and Conservation	N/A	(2)	52,880
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	36,084
Early Childhood Education - State Department of Education	N/A	(2)	140,320
Total State Grants			<u>\$ 533,417</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

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

(2) Information not available.

(3) Z0502516500: \$61,530; Z0603283700: \$10,084

Hardin 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 Hardin County, Tennessee, for the year ended June 30, 2005, which have not been corrected.

OFFICE OF DIRECTOR OF SCHOOLS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.01	172	The Employee Insurance Fund had a net assets deficit
05.02	172	Expenditures exceeded appropriations

OTHER FINDINGS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.03	173	A central system of accounting, budgeting, and purchasing had not been adopted
05.04	173	Duties were not segregated adequately in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Register, and Sheriff

HARDIN COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2006

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Hardin County is unqualified.
2. The audit of the financial statements of Hardin County disclosed reportable conditions in internal control. None of these conditions was considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of Hardin County.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed one finding that is required to be reported under Section 510(a) of OMB Circular A-133.
7. Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Hardin County did 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 budget and accounts director of the Hardin County School Department is quoted 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 DIRECTOR OF SCHOOLS

FINDING 06.01 **THE EMPLOYEE INSURANCE FUND HAD A NET ASSETS DEFICIT**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Employee Insurance Fund (internal service fund) had a net assets deficit of \$6,994 at June 30, 2006. This deficit resulted from the department incurring medical claims exceeding self-insurance premiums.

RECOMMENDATION

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

FINDING 06.02 **EXPENDITURES EXCEEDED APPROPRIATIONS**
(Noncompliance Under Government Auditing Standards and OMB Circular A-133)

Our examination of the Hardin County School Department's budget operations revealed the following deficiencies:

- A. Expenditures and encumbrances exceeded appropriations approved by the County Commission in the following funds major appropriation categories (the legal level of control):

<u>Fund/Major Appropriation Category</u>	<u>Amount Overspent</u>
General Purpose School:	
Instruction - Adult Education Program	\$ 10,071
Support Services - Maintenance of Plant	2,940
Other Debt Service - Education	21,970
School Federal Projects:	
Instruction - Regular Instruction Program	2,994
Instruction - Special Education Program	135,589
Instruction - Vocational Education Program	1,937
Support Services - Special Education Program	759

- B. In numerous instances, salaries exceeded line-item appropriations in the General Purpose School and School Federal Projects Funds by amounts ranging from \$3 to \$18,308. The budget resolution approved by the County Commission states that the salary, wages, or enumeration of each official, employee, or agent of the county will not exceed expenditures that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the County Commission.

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

RECOMMENDATION

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

MANAGEMENT’S RESPONSE – BUDGET AND ACCOUNTS DIRECTOR OF THE SCHOOL DEPARTMENT (DIRECT QUOTE)

Due to timing differences between the end of the audited fiscal year and the closing date of most federal programs, occasionally the instance might occur whereby expenditures are made at the end of the fiscal year, which exceed budget, and are later amended before the program ending date.

Expenditures in federal programs that exceeded budget as of the fiscal year ending June 30, 2006, were amended after the close of the fiscal year.

REBUTTAL

Budget amendments made after June 30 are not recognized in the financial statements of this report. Counties in Tennessee are required by state statute to adopt annual budgets on a June 30 fiscal year-end. Unencumbered appropriations lapse at the end of each fiscal year. Therefore, all budget amendments must be approved by the County Commission prior to June 30 to be recognized in the financial statements for that year.

OFFICE OF REGISTER

FINDING 06.03 THE OFFICE DID NOT REQUIRE A DEPOSITORY TO COLLATERALIZE FUNDS (Noncompliance Under Government Auditing Standards)

The register did not require a depository to pledge securities to protect county funds exceeding Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2006, deposits at the depository exceeded FDIC coverage by \$195,386. Section 5-8-201, Tennessee

Code Annotated, provides for county officials to require any bank that is a depository of county funds to deposit collateral security equal to 105 percent of funds exceeding FDIC coverage into an escrow account in a second bank. As of October 31, 2006, the register had required the depository to pledge securities to protect county funds exceeding FDIC coverage.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 06.04 **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

RECOMMENDATION

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

FINDING 06.05 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, REGISTER, AND SHERIFF**
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

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

Federal Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Education: Passed-through State Department of Education: Special Education Cluster: Special Education - Grants to States Special Education - Preschool Grants	06.06	84.027 84.173	<u>OMB Circular A-133</u> Section 500(d)(4)	Noncompliance See Finding 06.02 – Expenditures exceeded appropriations approved by the County Commission	\$ 0

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

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

Director of Schools – Corrective Action Plan for Current Audit Finding

FINDINGS 06.02 and 06.06

Contact Person: Larry Mabry, Budget/Finance Director

Corrective action planned: Expenditures in federal programs that exceeded budget appropriations as of the fiscal year ended June 30, 2006, were amended after the close of the fiscal year.

Anticipated completion date: 2006-07