

**ANNUAL FINANCIAL REPORT
HARDEMAN COUNTY, TENNESSEE**



FOR THE YEAR ENDED JUNE 30, 2007



ANNUAL FINANCIAL REPORT
HARDEMAN COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2007

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

HARDEMAN COUNTY, TENNESSEE

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Audit Highlights
Annual Financial Report
Hardeman County, Tennessee
For the Year Ended June 30, 2007

Scope

We have audited the basic financial statements of Hardeman County as of and for the year ended June 30, 2007.

Results

Our report on the aggregate discretely presented component units is qualified because the financial statements did not include a component unit whose financial statements were not available from other auditors at the date of this report. Our report on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information is unqualified.

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

Findings

The following are summaries of the audit findings:

OFFICE OF COUNTY MAYOR

- ◆ The Solid Waste Disposal Fund had a deficit of \$2,181,290 in unrestricted net assets at June 30, 2007. This deficit primarily resulted from the recognition of a liability (\$2,285,972) for costs associated with closing the county's landfill and monitoring the landfill for 30 years after closure.
- ◆ General Fund expenditures exceeded appropriations at the major appropriation category level of control (the legal level of control).
- ◆ Purchase orders were not issued for some applicable purchases under \$5,000.

OFFICE OF SHERIFF

- ◆ The office had deficiencies in computer system backup procedures.
 - ◆ The office did not implement adequate controls to protect its information resources.
-

OTHER FINDINGS

- ◆ The write-off policy for uncollectible accounts of the Ambulance Service gives sole authority to one individual without oversight by management.
- ◆ County officials had not adopted a central system of accounting and budgeting.

INTRODUCTORY SECTION

Hardeman County Officials

June 30, 2007

Officials

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

Board of County Commissioners

Willie Spencer, Chairman	Aubrey Phillips
Jackie Sain, Chairman Pro-Tem	Anthony Pulse
Darlene Cardwell	Opal Shaw
L. J. Cheairs	Mac Vaughn
Joe Cole	John Watson
Bobby Doyle	Elvis White
Keith Foote	Major Wilburn
Junious McTizic	Stephen Young
Viscen Morrow	

Board of Highway Supervisors

Kenny Pulse, Chairman
Russell DeBerry
Mike Mitchell

Board of Education

Terry King, Chairman	Bobby Henderson
Gregory Barnes	Jerry McCord
Misty Crowley	Buddy Nelms
Matt Emerson	Larry Williams
Ricky Griggs	

FINANCIAL SECTION



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
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INDEPENDENT AUDITOR'S REPORT

October 3, 2007

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardeman County, Tennessee, as of and for the year ended June 30, 2007, which collectively comprise Hardeman County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hardeman County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements of the Hardeman County Emergency Communications District, a component unit requiring discrete presentation, had not been made available by other auditors as of the date of this report. Accordingly, the aggregate discretely presented component units financial statements referred to above do not include amounts for the Hardeman County Emergency Communications District, which should be included to

conform with accounting principles generally accepted in the United States of America. The effects on the financial statements of the aggregate discretely presented component units are not reasonably determinable.

In our opinion, except for the effects of not including the financial statements of the Hardeman County Emergency Communications District, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component units of Hardeman County, Tennessee, at June 30, 2007, and the results of operations of the aggregate discretely presented component units, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hardeman County, Tennessee, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 3, 2007, on our consideration of Hardeman County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

The budgetary comparison and pension information on pages 61 through 67 are not required parts of the basic financial statements but they do provide supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hardeman County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Hardeman County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Hardeman County, Tennessee
Statement of Net Assets
June 30, 2007

	Primary Government			Component Unit
	Governmental Activities	Business- type Activities	Total	Hardeman County School Department
<u>ASSETS</u>				
Cash	\$ 128,197	\$ 200	\$ 128,397	\$ 0
Equity in Pooled Cash and Investments	4,427,422	168,546	4,595,968	3,560,776
Accounts Receivable	1,343,528	3,256	1,346,784	27,213
Allowance for Uncollectible	(670,017)	0	(670,017)	0
Due from Other Governments	843,724	0	843,724	870,324
Property Taxes Receivable	3,129,995	0	3,129,995	4,845,476
Allowance for Uncollectible Property Taxes	(130,345)	0	(130,345)	(201,783)
Deferred Charges - Debt Issuance Cost	51,337	0	51,337	0
Capital Assets:				
Assets Not Depreciated:				
Land	1,450,124	219,838	1,669,962	358,501
Construction in Progress	244,665	0	244,665	0
Assets Net of Accumulated Depreciation:				
Buildings and Improvements	1,746,929	1,740,009	3,486,938	13,518,367
Infrastructure	11,351,026	0	11,351,026	0
Other Capital Assets	1,055,041	388,928	1,443,969	1,864,572
Total Assets	<u>\$ 24,971,626</u>	<u>\$ 2,520,777</u>	<u>\$ 27,492,403</u>	<u>\$ 24,843,446</u>

(Continued)

Exhibit A

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

	Primary Government			Component Unit
	Governmental Activities	Business- Type Activities	Total	Hardeman County School Department
<u>LIABILITIES</u>				
Accounts Payable	\$ 265,158	\$ 60,707	\$ 325,865	\$ 1,000
Payroll Deductions Payable	4,594	255	4,849	0
Contracts Payable	209,322	0	209,322	0
Due to State of Tennessee	9,489	0	9,489	0
Accrued Interest Payable	69,918	0	69,918	0
Deferred Revenue - Current Property Taxes	2,839,045	0	2,839,045	4,395,063
Noncurrent Liabilities:				
Due Within One Year	571,451	314,230	885,681	38,267
Due in More Than One Year	6,225,416	3,009,600	9,235,016	56,257
Total Liabilities	<u>\$ 10,194,393</u>	<u>\$ 3,384,792</u>	<u>\$ 13,579,185</u>	<u>\$ 4,490,587</u>
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	\$ 15,401,040	\$ 1,317,275	\$ 16,718,315	\$ 0
Invested in Capital Assets	0	0	0	15,741,440
Restricted for:				
Highway	1,754,659	0	1,754,659	0
Debt Service	1,173,144	0	1,173,144	0
Capital Projects	693	0	693	0
Litigation Tax - Jail, Workhouse, or Courthouse	225,376	0	225,376	0
Drug Control	96,055	0	96,055	0
Alcohol and Drug Treatment	73,642	0	73,642	0
Computer System - Register	33,291	0	33,291	0
Automation Purposes - General Sessions	32,066	0	32,066	0
School Federal Projects	0	0	0	200,578
Other Purposes	10,072	0	10,072	145,077
Unrestricted	(4,022,805)	(2,181,290)	(6,204,095)	4,265,764
Total Net Assets	<u>\$ 14,777,233</u>	<u>\$ (864,015)</u>	<u>\$ 13,913,218</u>	<u>\$ 20,352,859</u>

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

Exhibit B

Hardeman County, Tennessee
Statement of Activities
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit Hardeman County School Department
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Total Governmental Activities	Business- type Activities		
Primary Government:								
Governmental Activities:								
General Government	\$ 848,800	\$ 197,404	\$ 32,901	\$ 0	\$ (618,495)	\$ 0	\$ (618,495)	\$ 0
Finance	747,214	543,635	12,609	0	(190,970)	0	(190,970)	0
Administration of Justice	696,085	754,519	9,495	0	67,929	0	67,929	0
Public Safety	2,449,747	208,365	10,200	62,984	(2,168,198)	0	(2,168,198)	0
Public Health and Welfare	2,409,394	1,304,764	244,160	13,659	(846,811)	0	(846,811)	0
Social, Cultural, and Recreational Services	101,885	0	0	0	(101,885)	0	(101,885)	0
Agriculture and Natural Resources	117,896	0	0	0	(117,896)	0	(117,896)	0
Other Operations	424,214	0	3,698	281,756	(138,760)	0	(138,760)	0
Highways/Public Works	2,141,664	0	1,993,158	156,991	8,485	0	8,485	0
Interest on Long-term Debt	225,211	0	0	0	(225,211)	0	(225,211)	0
Other Debt Service	30,658	0	727,443	0	696,785	0	696,785	0
Total Governmental Activities	\$ 10,192,768	\$ 3,008,687	\$ 3,033,664	\$ 515,390	\$ (3,635,027)	\$ 0	\$ (3,635,027)	\$ 0
Business-type Activities:								
Solid Waste Disposal Fund	\$ 1,050,272	\$ 963,566	\$ 12,901	\$ 0	\$ 0	\$ (73,805)	\$ (73,805)	\$ 0
Total Business-type Activities	\$ 1,050,272	\$ 963,566	\$ 12,901	\$ 0	\$ 0	\$ (73,805)	\$ (73,805)	\$ 0
Total Primary Government	\$ 11,243,040	\$ 3,972,253	\$ 3,046,565	\$ 515,390	\$ (3,635,027)	\$ (73,805)	\$ (3,708,832)	\$ 0
Component Unit:								
Hardeman County School Department	\$ 34,588,403	\$ 67,516	\$ 3,894,922	\$ 261,557	\$ 0	\$ 0	\$ 0	\$ (30,364,408)
Total Component Unit	\$ 34,588,403	\$ 67,516	\$ 3,894,922	\$ 261,557	\$ 0	\$ 0	\$ 0	\$ (30,364,408)

(Continued)

Exhibit B

Hardeman County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit Hardeman County School Department
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Total Governmental Activities	Business- type Activities		
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes					\$ 2,863,017	\$ 0	\$ 2,863,017	\$ 4,561,675
Property Taxes Levied for Debt Service					27,803	0	27,803	0
Local Option Sales Tax					239,379	0	239,379	2,397,149
Other Local Taxes					1,208,817	0	1,208,817	4,653
Grants and Contributions Not Restricted for Specific Programs					917,609	0	917,609	21,226,560
Unrestricted Investment Earnings					434,642	17,146	451,788	36
Miscellaneous					74,282	301	74,583	176,928
Total General Revenues					\$ 5,765,549	\$ 17,447	\$ 5,782,996	\$ 28,367,001
Change in Net Assets					\$ 2,130,522	\$ (56,358)	\$ 2,074,164	\$ (1,997,407)
Net Aassets, July 1, 2006					12,113,504	(807,657)	11,305,847	22,350,266
Prior Period Adjustment					533,207	0	533,207	0
Net Assets, June 30, 2007					\$ 14,777,233	\$ (864,015)	\$ 13,913,218	\$ 20,352,859

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

Exhibit C-1

Hardeman County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2007

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 128,197	\$ 128,197
Equity in Pooled Cash and Investments	1,861,374	1,490,527	980,973	94,548	4,427,422
Accounts Receivable	1,340,496	0	74	2,958	1,343,528
Allowance for Uncollectibles	(670,017)	0	0	0	(670,017)
Due from Other Governments	295,489	548,235	0	0	843,724
Due from Other Funds	30	0	0	0	30
Property Taxes Receivable	3,099,900	0	30,095	0	3,129,995
Allowance for Uncollectible Property Taxes	(129,091)	0	(1,254)	0	(130,345)
Total Assets	<u>\$ 5,798,181</u>	<u>\$ 2,038,762</u>	<u>\$ 1,009,888</u>	<u>\$ 225,703</u>	<u>\$ 9,072,534</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 234,224	\$ 30,934	\$ 0	\$ 0	\$ 265,158
Payroll Deductions Payable	3,875	719	0	0	4,594
Contracts Payable	0	209,322	0	0	209,322
Due to Other Funds	0	0	0	30	30
Due to State of Tennessee	9,489	0	0	0	9,489
Deferred Revenue - Current Property Taxes	2,811,748	0	27,297	0	2,839,045
Deferred Revenue - Delinquent Property Taxes	136,486	0	1,325	0	137,811
Other Deferred Revenues	670,823	318,875	0	0	989,698
Total Liabilities	<u>\$ 3,866,645</u>	<u>\$ 559,850</u>	<u>\$ 28,622</u>	<u>\$ 30</u>	<u>\$ 4,455,147</u>

(Continued)

Exhibit C-1

Hardeman County, Tennessee
Balance Sheet
Governmental Funds (cont.)

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds	
<u>LIABILITIES AND FUND BALANCES (CONT.)</u>					
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 4,500	\$ 0	\$ 0	\$ 0	\$ 4,500
Reserved for Alcohol and Drug Treatment	73,642	0	0	0	73,642
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	225,376	0	0	0	225,376
Reserved for Courtroom Security	207	0	0	0	207
Reserved for Computer System - Register	33,291	0	0	0	33,291
Reserved for Automation Purposes - Circuit Court	648	0	0	0	648
Reserved for Automation Purposes - General Sessions Court	32,066	0	0	0	32,066
Reserved for Automation Purposes - Juvenile Court	3,034	0	0	0	3,034
Reserved for Automation Purposes - Chancery Court	1,549	0	0	0	1,549
Reserved for Automation Purposes - Sheriff	4,582	0	0	0	4,582
Reserved for Other General Purposes	52	0	0	0	52
Unreserved, Reported In:					
General Fund	1,552,589	0	0	0	1,552,589
Special Revenue Funds	0	1,478,912	0	224,980	1,703,892
Debt Service Funds	0	0	981,266	0	981,266
Capital Projects Funds	0	0	0	693	693
Total Fund Balances	\$ 1,931,536	\$ 1,478,912	\$ 981,266	\$ 225,673	\$ 4,617,387
Total Liabilities and Fund Balances	\$ 5,798,181	\$ 2,038,762	\$ 1,009,888	\$ 225,703	\$ 9,072,534

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

Exhibit C-2

Hardeman County, Tennessee

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

June 30, 2007

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)		\$ 4,617,387	
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,450,124	
Add: construction in progress		244,665	
Add: infrastructure net of accumulated depreciation		11,351,026	
Add: buildings and improvements net of accumulated depreciation		1,746,929	
Add: other capital assets net of accumulated depreciation		<u>1,055,041</u>	15,847,785
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(242,767)	
Less: capital leases payable		(130,978)	
Less: bonds payable		(6,573,000)	
Add: deferred amount on refunding		257,911	
Add: deferred charges - debt issuance costs		51,337	
Less: compensated absences payable		(108,033)	
Less: accrued interest on bonds, notes, capital leases		<u>(69,918)</u>	(6,815,448)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>1,127,509</u>
Net assets of governmental activities (Exhibit A)			<u>\$ 14,777,233</u>

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

Exhibit C-3

Hardeman County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Funds Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 3,906,328	\$ 667,130	\$ 28,228	\$ 0	\$ 4,601,686
Licenses and Permits	25,033	0	0	0	25,033
Fines, Forfeitures, and Penalties	165,357	0	0	42,087	207,444
Charges for Current Services	1,239,688	0	0	518,371	1,758,059
Other Local Revenues	514,993	24,399	0	0	539,392
Fees Received from County Officials	748,572	0	0	0	748,572
State of Tennessee	1,107,390	2,171,935	0	0	3,279,325
Federal Government	344,740	0	0	13,659	358,399
Other Governments and Citizens Groups	3,698	0	727,443	0	731,141
Total Revenues	\$ 8,055,799	\$ 2,863,464	\$ 755,671	\$ 574,117	\$ 12,249,051
<u>Expenditures</u>					
Current:					
General Government	\$ 593,169	\$ 0	\$ 0	\$ 119,894	\$ 713,063
Finance	267,480	0	0	287,527	555,007
Administration of Justice	402,622	0	0	107,236	509,858
Public Safety	1,834,850	0	0	38,130	1,872,980
Public Health and Welfare	2,041,371	0	0	0	2,041,371
Social, Cultural, and Recreational Services	89,276	0	0	0	89,276
Agricultural and Natural Resources	117,896	0	0	0	117,896
Other Operations	2,054,151	0	0	13,659	2,067,810
Highways	0	2,589,188	0	0	2,589,188
Debt Service:					
Principal on Debt	0	62,322	472,669	0	534,991
Interest on Debt	0	6,476	290,919	0	297,395
Other Debt Service	0	0	1,419	0	1,419
Total Expenditures	\$ 7,400,815	\$ 2,657,986	\$ 765,007	\$ 566,446	\$ 11,390,254

(Continued)

Exhibit C-3

Hardeman 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	Other Govern- mental Funds	
Excess (Deficiency) of Revenues Over Expenditures	\$ 654,984	\$ 205,478	\$ (9,336)	\$ 7,671	\$ 858,797
<u>Other Financing Sources (Uses)</u>					
Transfers In	\$ 0	\$ 0	\$ 26,187	\$ 0	\$ 26,187
Transfers Out	(26,187)	0	0	0	(26,187)
Total Other Financing Sources (Uses)	\$ (26,187)	\$ 0	\$ 26,187	\$ 0	\$ 0
Net Change in Fund Balances	\$ 628,797	\$ 205,478	\$ 16,851	\$ 7,671	\$ 858,797
Fund Balance, July 1, 2006	1,302,739	1,273,434	964,415	218,002	3,758,590
Fund Balance, June 30, 2007	\$ 1,931,536	\$ 1,478,912	\$ 981,266	\$ 225,673	\$ 4,617,387

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

Exhibit C-4

Hardeman County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2007

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)		\$ 858,797
(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	\$ 1,882,143	
Less: current year depreciation expense	<u>(1,151,662)</u>	730,481
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, donations) is to decrease net assets.		
Add: gain on disposal of capital assets	\$ 2,263	
Less: loss on disposal of capital assets	(97,118)	
Less: proceeds received from the disposal of capital assets	<u>(9,350)</u>	(104,205)
(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, 2007	\$ 1,127,509	
Less: deferred delinquent property taxes and other deferred June 30, 2006	<u>(1,046,183)</u>	81,326
(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items.		
Less: change in deferred debt issuance costs	\$ (3,074)	
Add: principal payments on bonds	377,000	
Add: principal payments on notes	95,669	
Add: principal payments on capital leases	62,322	
Less: change in deferred amount on refunding debt	<u>(26,165)</u>	505,752
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ 65,708	
Change in compensated absences	<u>(7,337)</u>	<u>58,371</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 2,130,522</u>

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

Exhibit D-1

Hardeman County, Tennessee
Statement of Net Assets
Proprietary Funds
June 30, 2007

	<u>Major Fund</u> <u>Enterprise</u> <u>Fund</u> <u>Solid Waste</u> <u>Disposal Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 200
Equity in Pooled Cash and Investments	168,546
Accounts Receivable	3,256
Total Current Assets	<u>\$ 172,002</u>
Noncurrent Assets:	
Capital Assets:	
Assets not Depreciated:	
Land	\$ 219,838
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	1,740,009
Machinery and Equipment	388,928
Total Noncurrent Assets	<u>\$ 2,348,775</u>
Total Assets	<u>\$ 2,520,777</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 60,707
Payroll Deductions Payable	255
Accrued Liability for Landfill Closure/Postclosure Care Costs	21,000
Compensated Absences Payable	318
Capital Outlay Note Payable	292,912
Total Current Liabilities	<u>\$ 375,192</u>
Noncurrent Liabilities:	
Accrued Liability for Landfill Closure/Postclosure Care Costs	\$ 2,264,972
Compensated Absences Payable	6,040
Capital Outlay Notes Payable	738,588
Total Noncurrent Liabilities	<u>\$ 3,009,600</u>
Total Liabilities	<u>\$ 3,384,792</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 1,317,275
Unrestricted	<u>(2,181,290)</u>
Net Assets	<u>\$ (864,015)</u>

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

Exhibit D-2

Hardeman County, Tennessee
Statement of Revenues, Expenses, and
Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2007

	<u>Major Fund</u>
	<u>Enterprise</u>
	<u>Fund</u>
	<u>Solid Waste</u>
	<u>Disposal Fund</u>
<u>Operating Revenues</u>	
Solid Waste Disposal Fee	\$ 963,867
Total Operating Revenues	<u>\$ 963,867</u>
<u>Operating Expenses</u>	
County Official/Administrative Officer	\$ 21,485
Laborers	139,717
Clerical Personnel	32,768
Part-time Personnel	9,567
Compensated Absences	594
Social Security	12,516
State Retirement	24,341
Employee and Dependent Insurance	40,149
Disability Insurance	25,625
Unemployment Compensation	1,057
Employer Medicare	2,927
Communication	6,801
Consultant	25,030
Contracts with Private Agencies	143,567
Legal Notices, Recording, and Court Costs	104
Maintenance & Repair Services - Buildings	5,800
Maintenance & Repair Services - Equipment	89,196
Maintenance & Repair Services - Vehicles	5,274
Postal Charges	3,328
Travel	2,069
Disposal Fees	13,970
Custodial Supplies	841
Data Processing Supplies	3,769
Food Supplies	5,715
Gasoline	29,591
Lubricants	1,997
Office Supplies	4,175
Uniforms	2,961
Utilities	47,048

(Continued)

Exhibit D-2

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

	<u>Major Fund</u> <u>Enterprise</u> <u>Fund</u> <u>Solid Waste</u> <u>Disposal Fund</u>
<u>Operating Expenses (Cont.)</u>	
Gravel and Chert	\$ 5,138
Other Supplies and Materials	25,570
Liability Insurance	41,197
Depreciation	160,908
Surcharge	28,707
Landfill Closure/Postclosure Care Costs	42,692
Other Charges	3,680
Solid Waste Equipment	4,850
Total Operating Expenses	<u>\$ 1,014,724</u>
Operating Income (Loss)	<u>\$ (50,857)</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 17,146
Solid Waste Grants	12,901
Interest on Notes	(35,548)
Total Nonoperating Revenues (Expenses)	<u>\$ (5,501)</u>
Change in Net Assets	\$ (56,358)
Net Assets, July 1, 2006	<u>(807,657)</u>
Net Assets, June 30, 2007	<u><u>\$ (864,015)</u></u>

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

Exhibit D-3

Hardeman County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2007

	<u>Major Fund</u> <u>Enterprise</u> <u>Fund</u> <u>Solid Waste</u> <u>Disposal Fund</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 983,768
Payments for Waste Disposal and Maintenance	(798,026)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 185,742</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Solid Waste Grants	\$ 12,901
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ 12,901</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Proceeds from Capital Debt	\$ 278,500
Acquisition of Capital Assets	(769,486)
Principal Paid on Notes	(234,000)
Interest Paid on Notes	(35,548)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (760,534)</u>
<u>Cash Flows from Investing Activities</u>	
Investment Income	\$ 17,146
Net Cash Provided By (Used In) Investing Activities	<u>\$ 17,146</u>
Increase (Decrease) in Cash	\$ (544,745)
Cash, July 1, 2006	<u>713,491</u>
Cash, June 30, 2007	<u><u>\$ 168,746</u></u>
<u>Reconciliation of Net Operating Income (Loss) to Net Cash Provided By</u> <u>(Used In) Operating Activities</u>	
Operating Income (Loss)	\$ (50,857)
Adjustment to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities	
Depreciation	160,908
(Increase) in Accounts Receivable	(1,831)
Decrease in Cash Shortage	20,481
Increase in Accounts Payable	35,312
Increase in Payroll Deductions Payable	204
Increase in Compensated Absences Payable	594
Increase in Accrued Liability for Landfill Closure/Postclosure Costs	<u>20,931</u>
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ 185,742</u></u>

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

Exhibit E

Hardeman County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2007

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 674,247
Due from Other Governments	<u>204,416</u>
Total Assets	<u>\$ 878,663</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 204,416
Due to Litigants, Heirs, and Others	<u>674,247</u>
Total Liabilities	<u>\$ 878,663</u>

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

HARDEMAN COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

Hardeman County is a public municipal corporation governed by an elected 16-member board. As required by GAAP, these financial statements present Hardeman County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

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

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

The Hardeman County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Hardeman County, and the Hardeman County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval. The financial statements of the Hardeman County Emergency Communications District were not available from other auditors in time for inclusion in this report.

The Hardeman County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the Hardeman County School Department are included in this report as listed in the table of contents. Although required by GAAP, the financial statements of the Hardeman County Emergency Communications District were not available in time for inclusion, as previously mentioned. Complete financial statements of the Hardeman County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

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

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

B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the

operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary funds financial statements, except for agency funds which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

Hardeman County reports the following major governmental funds:

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

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

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

Hardeman County reports the following major enterprise fund:

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

Additionally, Hardeman County reports the following fund types:

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

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

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

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

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

2. Receivables and Payables

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

All ambulance and property taxes receivable are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 2.24 percent of total taxes levied.

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

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

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

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

3. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column and the business-type column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 (infrastructure \$10,000) or more and an estimated useful life of more than five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Property, plant, equipment, and infrastructure of the primary government and the discretely presented School Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	25
Machinery and Equipment	5-10
Other Capital Assets	5-10
Infrastructure:	
Roads	10-20
Bridges	5-20

4. Compensated Absences

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

5. Long-term Obligations

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 refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is netted against the new debt and amortized over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

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

6. Net Assets and Fund Equity

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

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

The government-wide statement of net assets reports \$3,398,998 of restricted net assets, of which \$225,376 is restricted by enabling legislation.

As of June 30, 2007, Hardeman County had \$6,500,000 in outstanding debt for capital purposes for the discretely presented Hardeman County School Department. This debt is a liability of Hardeman County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Hardeman County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

7. Prior-period Adjustment

Net accounts receivable were restated (\$533,207) from the prior year because Ambulance Service accounts receivable had been omitted.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Hardeman County School Department

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

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

Primary Government

Exhibit C-4 includes explanations of the nature of individual elements of items required to reconcile the net 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 Hardeman 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 fund, which adopts project length budgets. All annual appropriations lapse at fiscal year end.

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

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

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

B. Unrestricted Net Assets Deficit

The Solid Waste Disposal Fund had a deficit of \$2,181,290 in unrestricted net assets at June 30, 2007. This deficit primarily resulted from the recognition of a liability (\$2,285,972) for costs associated with closing the county's landfill and monitoring the landfill for 30 years after closure.

C. Expenditures Exceeded Appropriations

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

<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
Budget and Finance Committee	\$ 20
Other Boards and Committees	125
Other General Administration	1,557
Workhouse	2,381
Airport	128,316

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

D. Cash Shortage

As noted in the previous year's Annual Financial Report in the Schedule of Findings and Questioned Cost as item 06.01, a cash shortage of \$20,481 existed in the Solid Waste Disposal Fund at June 30, 2006. Subsequent to June 30, 2006, an additional cash shortage of \$1,250 occurred increasing the total cash shortage to \$21,731. This cash shortage was liquidated during the 2006-07 year.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank

collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

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

Investments

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

Investment Balances. As of June 30, 2007, Hardeman County had the following investments carried at cost. All investments are in the county trustee’s investment pool. Separate disclosures concerning pooled investments cannot be made for Hardeman County and the discretely presented Hardeman County School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>
State Treasurer's Investment Pool	Daily	<u><u>\$ 4,174,081</u></u>

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

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Hardeman County has no investment policy that would further limit its investment choices. As of June 30, 2007, Hardeman County's investment in the State Treasurer's Investment Pool was unrated.

B. Capital Assets

Capital asset activity for the year ended June 30, 2007, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-06	Increases	Decreases	Balance 6-30-07
Capital Assets Not Depreciated:				
Land	\$ 1,391,382	\$ 58,742	\$ 0	\$ 1,450,124
Construction in Progress	0	244,665	0	244,665
Total Capital Assets Not Depreciated	\$ 1,391,382	\$ 303,407	\$ 0	\$ 1,694,789
Capital Assets Depreciated:				
Buildings and Improvements	\$ 5,585,710	\$ 0	\$ 0	\$ 5,585,710
Infrastructure	11,962,786	1,273,960	0	13,236,746
Other Capital Assets	3,496,974	304,776	(381,654)	3,420,096
Total Capital Assets Depreciated	\$ 21,045,470	\$ 1,578,736	\$ (381,654)	\$ 22,242,552
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 3,699,038	\$ 139,743	\$ 0	\$ 3,838,781
Infrastructure	1,174,526	711,194	0	1,885,720
Other Capital Assets	2,341,779	300,725	(277,449)	2,365,055
Total Accumulated Depreciation	\$ 7,215,343	\$ 1,151,662	\$ (277,449)	\$ 8,089,556
Total Capital Assets Depreciated, Net	\$ 13,830,127	\$ 427,074	\$ (104,205)	\$ 14,152,996
Governmental Activities Capital Assets, Net	\$ 15,221,509	\$ 730,481	\$ (104,205)	\$ 15,847,785

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

Governmental Activities:

General Government	\$	5,432
Finance		6,262
Administration of Justice		5,242
Public Safety		86,930
Public Health and Welfare		101,506
Social, Cultural, and Recreational Services		9,551
Other Operations		42,930
Highways/Public Works		<u>893,809</u>
 Total Depreciation Expense - Governmental Activities		 <u><u>\$ 1,151,662</u></u>

Business-type Activities:

	Balance 7-1-06	Increases	Balance 6-30-07
Capital Assets Not Depreciated:			
Land	\$ 219,838	\$ 0	\$ 219,838
Total Capital Assets Not Depreciated	<u>\$ 219,838</u>	<u>\$ 0</u>	<u>\$ 219,838</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 1,493,606	\$ 490,986	\$ 1,984,592
Machinery and Equipment	286,308	278,500	564,808
Total Capital Assets Depreciated	<u>\$ 1,779,914</u>	<u>\$ 769,486</u>	<u>\$ 2,549,400</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 164,335	\$ 80,248	\$ 244,583
Machinery and Equipment	95,220	80,660	175,880
Total Accumulated Depreciation	<u>\$ 259,555</u>	<u>\$ 160,908</u>	<u>\$ 420,463</u>
Total Capital Assets Depreciated, Net	<u>\$ 1,520,359</u>	<u>\$ 608,578</u>	<u>\$ 2,128,937</u>
Business-type Activities Capital Assets, Net	<u><u>\$ 1,740,197</u></u>	<u><u>\$ 608,578</u></u>	<u><u>\$ 2,348,775</u></u>

Discretely Presented Hardeman County School Department

Governmental Activities:

	Balance 7-1-06	Increases	Decreases	Balance 6-30-07
Capital Assets Not Depreciated:				
Land	\$ 290,500	\$ 68,001	\$ 0	\$ 358,501
Total Capital Assets Not Depreciated	<u>\$ 290,500</u>	<u>\$ 68,001</u>	<u>\$ 0</u>	<u>\$ 358,501</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 27,081,415	\$ 133,950	\$ 0	\$ 27,215,365
Other Capital Assets	5,412,335	513,205	(153,211)	5,772,329
Total Capital Assets Depreciated	<u>\$ 32,493,750</u>	<u>\$ 647,155</u>	<u>\$ (153,211)</u>	<u>\$ 32,987,694</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 12,092,995	\$ 1,604,003	\$ 0	\$ 13,696,998
Other Capital Assets	3,504,972	555,996	(153,211)	3,907,757
Total Accumulated Depreciation	<u>\$ 15,597,967</u>	<u>\$ 2,159,999</u>	<u>\$ (153,211)</u>	<u>\$ 17,604,755</u>
Total Capital Assets Depreciated, Net	<u>\$ 16,895,783</u>	<u>\$ (1,512,844)</u>	<u>\$ 0</u>	<u>\$ 15,382,939</u>
Governmental Activities Capital Assets, Net	<u>\$ 17,186,283</u>	<u>\$ (1,444,843)</u>	<u>\$ 0</u>	<u>\$ 15,741,440</u>

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

Governmental Activities:

Instruction	\$ 1,676,851
Support Services	396,014
Operation of Non-Instructional Services	<u>87,134</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 2,159,999</u></u>

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2007, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 30
Discretely Presented School Department:		
General Purpose School	Nonmajor governmental	137,564

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.

A portion (\$23,940) of the receivable in the General Purpose School Fund was in transit from the School Federal Projects Fund at June 30, 2007.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2007, consisted of the following amounts:

Primary Government

Transfers Out	<u>Transfers In</u> General Debt Service Fund
General	\$ 26,187

Discretely Presented Hardeman County School Department

Transfers Out	<u>Transfers In</u> General Purpose School Fund
Nonmajor governmental fund	\$ 38,435

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. Capital Lease

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

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2007, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2008	\$ 68,798
2009	<u>68,798</u>
Total Minimum Lease Payments	\$ 137,596
Amount Representing Interest	<u>(6,618)</u>
 Present Value of Minimum Lease Payments	 \$ <u><u>130,978</u></u>

E. Long-term Debt

Primary Government

General Obligation Bonds and Notes

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 40 years for bonds and up to 12 years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and notes

included in long-term debt as of June 30, 2007, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes and capital leases outstanding as of June 30, 2007, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
General Obligation Bonds	5 %	\$ 189,000	\$ 73,000
General Obligation Bonds - Refunding	3 to 5.1	7,570,000	6,500,000
Capital Outlay Notes	3 to 4.35	645,000	242,767
Capital Leases	3.3	193,300	130,978

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2007, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2008	\$ 403,000	\$ 261,187	\$ 98,639	\$ 7,801
2009	363,000	244,885	101,709	4,731
2010	293,000	231,500	14,243	1,569
2011	309,000	219,732	4,211	1,226
2012	319,000	207,342	4,394	1,042
2013-2017	1,786,000	834,394	19,571	2,174
2018-2022	2,135,000	453,521	0	0
2023-2024	965,000	57,710	0	0
Total	\$ 6,573,000	\$ 2,510,271	\$ 242,767	\$ 18,543

There is \$981,266 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$234, based on the 2000 federal census. Debt per capita, including bonds, notes, and capital leases totaled \$247, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

Governmental Activities:

	<u>Bonds</u>	<u>Notes</u>
Balance, July 1, 2006	\$ 6,950,000	\$ 338,436
Deductions	(377,000)	(95,669)
Balance, June 30, 2007	<u>\$ 6,573,000</u>	<u>\$ 242,767</u>
Balance Due Within One Year	<u>\$ 403,000</u>	<u>\$ 98,639</u>
	<u>Capital</u>	<u>Compensated</u>
	<u>Leases</u>	<u>Absences</u>
Balance, July 1, 2006	\$ 193,300	\$ 100,696
Additions	0	131,826
Deductions	(62,322)	(124,489)
Balance, June 30, 2007	<u>\$ 130,978</u>	<u>\$ 108,033</u>
Balance Due Within One Year	<u>\$ 64,410</u>	<u>\$ 5,402</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2007	\$ 7,054,778
Less: Balance Due Within One Year	(571,451)
Less: Deferred Amount on Refunding	<u>(257,911)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 6,225,416</u>

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

Hardeman County Solid Waste Disposal Fund (enterprise fund)

The annual requirements to amortize notes outstanding as of June 30, 2007, including interest, are presented in the following table:

Year Ending June 30	Notes	
	Principal	Interest
2008	\$ 292,912	\$ 39,082
2009	304,194	28,040
2010	315,592	16,555
2011	58,094	4,642
2012	60,708	2,027
Total	<u>\$ 1,031,500</u>	<u>\$ 90,346</u>

Changes in Long-term Liabilities

Long-term liability activity for the Solid Waste Disposal Fund (enterprise fund) for the year ended June 30, 2007, was as follows:

Business-type Activities:

	Notes	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2006	\$ 987,000	\$ 2,265,041
Additions	278,500	42,692
Deductions	(234,000)	(21,761)
Balance, June 30, 2007	<u>\$ 1,031,500</u>	<u>\$ 2,285,972</u>
Balance Due Within One Year	<u>\$ 292,912</u>	<u>\$ 21,000</u>

	Compensated Absences
Balance, July 1, 2006	\$ 5,764
Additions	8,491
Deductions	(7,897)
Balance, June 30, 2007	<u>\$ 6,358</u>
Balance Due Within One Year	<u>\$ 318</u>

Discretely Presented Hardeman County School Department

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Hardeman County School Department for the year ended June 30, 2007, was as follows:

Governmental Activities:

	<u>Compensated Absences</u>
Balance, July 1, 2006	\$ 54,125
Additions	85,221
Deductions	<u>(44,822)</u>
Balance, June 30, 2007	<u>\$ 94,524</u>
Balance Due Within One Year	<u>\$ 38,267</u>

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

V. OTHER INFORMATION

A. Risk Management

Primary Government

Employee Health Insurance

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

Liability, Property, Casualty, and Workers' Compensation Insurance

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

Discretely Presented Hardeman County School Department

Employee Health Insurance

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

Liability, Property, Casualty and Workers' Compensation Insurance

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

B. Contingent Liabilities

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

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

C. Change in Administration

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

D. Landfill Closure/Postclosure Care Costs

Hardeman County acquired the City of Bolivar's interest in the Bolivar/Hardeman County Landfill effective July 1, 2004. State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. These closure and

postclosure care costs generally are paid near or after the date that the landfill stops accepting waste. Hardeman County has not stopped accepting waste as of the date of this report due to changes in regulations that allow the county to increase its dumping capacity at the existing landfill. The \$2,285,972 reported as accrued liability for landfill post/closure care costs in the Solid Waste Disposal Fund at June 30, 2007, represents the estimated costs for future closure/postclosure care functions. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

E. Joint Venture

The Bolivar/Hardeman County Library is jointly owned by Hardeman County and the City of Bolivar and is operated by an appointed board. The board comprises seven members, four of whom are appointed by the Hardeman County Mayor. The remaining three members are appointed by the Bolivar City Mayor. The City of Bolivar has control over budgeting and financing the joint venture only to the extent of representation by the three board members appointed. Hardeman County contributed \$79,626 to the operations of the library during the year ended June 30, 2007.

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

Administrative Office:

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

F. Retirement Commitments

Employees

Plan Description

Employees of Hardeman County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty.

Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Hardeman County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

Hardeman County has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2007, was 13.04 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Hardeman County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2007, Hardeman County's annual pension cost of \$984,508 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2005, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Hardeman County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was ten years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-07	\$984,508	100%	\$0
6-30-06	787,006	100	0
6-30-05	99,441	100	0

School Teachers

Plan Description

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

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Hardeman County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2007, was 6.13 percent of annual covered payroll. The employer contribution requirement for the Hardeman County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2007, 2006, and 2005, were \$1,009,577, \$861,502, and \$848,836, respectively, equal to the required contributions for each year.

G. Purchasing Laws

Office of County Mayor, Highway Department and Director of Schools

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit F-1

Hardeman County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 3,906,328	\$ 0	\$ 3,906,328	\$ 3,675,700	\$ 3,675,700	\$ 230,628
Licenses and Permits	25,033	0	25,033	28,200	28,200	(3,167)
Fines, Forfeitures, and Penalties	165,357	0	165,357	214,424	214,424	(49,067)
Charges for Current Services	1,239,688	0	1,239,688	1,294,900	1,294,900	(55,212)
Other Local Revenues	514,993	0	514,993	313,000	313,000	201,993
Fees Received from County Officials	748,572	0	748,572	1,199,000	1,199,000	(450,428)
State of Tennessee	1,107,390	0	1,107,390	1,284,179	1,344,329	(236,939)
Federal Government	344,740	0	344,740	60,442	60,442	284,298
Other Governments and Citizens Groups	3,698	0	3,698	2,200	2,200	1,498
Total Revenues	\$ 8,055,799	\$ 0	\$ 8,055,799	\$ 8,072,045	\$ 8,132,195	\$ (76,396)
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	\$ 12,150	\$ 0	\$ 12,150	\$ 15,600	\$ 15,600	\$ 3,450
Board of Equalization	525	0	525	1,000	1,000	475
Beer Board	1,750	0	1,750	2,000	2,000	250
Budget and Finance Committee	2,520	0	2,520	2,500	2,500	(20)
Other Boards and Committees	6,625	0	6,625	6,500	6,500	(125)
County Mayor/Executive	151,182	0	151,182	154,004	154,004	2,822
County Attorney	10,412	0	10,412	10,412	10,412	0
Election Commission	151,214	4,500	155,714	152,634	163,284	7,570
Register of Deeds	26,049	0	26,049	144,446	144,446	118,397
Development	58,226	0	58,226	62,093	62,093	3,867
County Buildings	146,422	0	146,422	135,911	149,452	3,030
Other General Administration	26,094	0	26,094	20,000	24,537	(1,557)
<u>Finance</u>						
Accounting and Budgeting	13,247	0	13,247	17,200	17,200	3,953

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Finance (Cont.)</u>						
Purchasing	\$ 3,600	\$ 0	\$ 3,600	\$ 3,600	\$ 3,600	\$ 0
Property Assessor's Office	179,135	0	179,135	187,417	187,417	8,282
Reappraisal Program	32,236	0	32,236	38,925	38,925	6,689
County Trustee's Office	20,890	0	20,890	154,658	154,658	133,768
County Clerk's Office	18,372	0	18,372	185,877	185,877	167,505
<u>Administration of Justice</u>						
Circuit Court	241,944	0	241,944	264,766	264,766	22,822
General Sessions Court	97,678	0	97,678	95,059	97,678	0
Chancery Court	22,388	0	22,388	146,401	150,233	127,845
Juvenile Court	40,612	0	40,612	40,600	42,498	1,886
<u>Public Safety</u>						
Sheriff's Department	1,076,648	0	1,076,648	1,173,523	1,173,523	96,875
Workhouse	541,352	0	541,352	527,421	538,971	(2,381)
Juvenile Services	31,294	0	31,294	32,000	32,000	706
Fire Prevention and Control	92,000	0	92,000	92,000	92,000	0
Civil Defense	69,705	0	69,705	98,921	98,921	29,216
County Coroner/Medical Examiner	23,851	0	23,851	23,000	26,851	3,000
<u>Public Health and Welfare</u>						
Local Health Center	79,370	0	79,370	83,783	83,783	4,413
Rabies and Animal Control	36,134	0	36,134	35,106	37,571	1,437
Ambulance/Emergency Medical Services	1,241,469	0	1,241,469	1,395,254	1,395,254	153,785
Dental Health Program	210,234	0	210,234	299,900	299,900	89,666
Alcohol and Drug Programs	5,000	0	5,000	5,000	5,000	0
Crippled Children Services	1,779	0	1,779	1,779	1,779	0
Other Local Health Services	3,000	0	3,000	3,000	3,000	0
Regional Mental Health Center	5,000	0	5,000	10,000	10,000	5,000

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Public Health and Welfare (Cont.)</u>						
Other Local Welfare Services	\$ 5,000	\$ 0	\$ 5,000	\$ 5,200	\$ 5,200	\$ 200
Sanitation Education/Information	27,098	0	27,098	32,079	32,079	4,981
Waste Pickup	234,977	0	234,977	228,000	236,000	1,023
Convenience Centers	192,310	0	192,310	215,080	207,080	14,770
<u>Social, Cultural, and Recreational Services</u>						
Senior Citizens Assistance	0	0	0	1,500	1,500	1,500
Libraries	86,776	0	86,776	87,150	87,150	374
Other Social, Cultural, and Recreational	2,500	0	2,500	2,500	2,500	0
<u>Agriculture & Natural Resources</u>						
Agriculture Extension Service	92,779	0	92,779	95,420	95,420	2,641
Forest Service	2,000	0	2,000	2,000	2,000	0
Soil Conservation	23,117	0	23,117	24,661	24,661	1,544
<u>Other Operations</u>						
Industrial Development	57,144	0	57,144	61,000	65,775	8,631
Airport	355,157	0	355,157	84,000	226,841	(128,316)
Veterans' Services	7,627	0	7,627	7,768	7,768	141
Contributions to Other Agencies	19,767	0	19,767	20,000	20,000	233
Employee Benefits	1,349,525	0	1,349,525	1,282,850	1,356,833	7,308
Miscellaneous	264,931	0	264,931	235,750	271,419	6,488
Total Expenditures	\$ 7,400,815	\$ 4,500	\$ 7,405,315	\$ 8,007,248	\$ 8,319,459	\$ 914,144
Excess (Deficiency) of Revenues						
Over Expenditures	\$ 654,984	\$ (4,500)	\$ 650,484	\$ 64,797	\$ (187,264)	\$ 837,748
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ (26,187)	\$ 0	\$ (26,187)	\$ (26,187)	\$ (26,187)	\$ 0
Total Other Financing Sources (Uses)	\$ (26,187)	\$ 0	\$ (26,187)	\$ (26,187)	\$ (26,187)	\$ 0
Net Change in Fund Balance						
Fund Balance, July 1, 2006	\$ 1,302,739	\$ (4,500)	\$ 624,297	\$ 38,610	\$ (213,451)	\$ 837,748
Fund Balance, June 30, 2007	\$ 1,931,536	\$ (4,500)	\$ 1,927,036	\$ 838,610	\$ 586,549	\$ 1,340,487

Exhibit F-2

Hardeman County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 667,130	\$ 625,000	\$ 625,000	\$ 42,130
Charges for Current Services	0	100	100	(100)
Other Local Revenues	24,399	14,500	14,500	9,899
State of Tennessee	2,171,935	2,341,699	2,341,699	(169,764)
Total Revenues	<u>\$ 2,863,464</u>	<u>\$ 2,981,299</u>	<u>\$ 2,981,299</u>	<u>\$ (117,835)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 171,488	\$ 185,741	\$ 186,411	\$ 14,923
Highway and Bridge Maintenance	1,158,759	1,609,253	1,609,253	450,494
Operation and Maintenance of Equipment	422,068	518,064	518,064	95,996
Other Charges	69,092	105,100	105,100	36,008
Employee Benefits	396,412	454,300	462,300	65,888
Capital Outlay	371,369	664,674	851,175	479,806
<u>Principal on Debt</u>				
Highway and Streets	62,322	0	62,322	0
<u>Interest on Debt</u>				
Highway and Streets	6,476	0	6,476	0
Total Expenditures	<u>\$ 2,657,986</u>	<u>\$ 3,537,132</u>	<u>\$ 3,801,101</u>	<u>\$ 1,143,115</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 205,478</u>	<u>\$ (555,833)</u>	<u>\$ (819,802)</u>	<u>\$ 1,025,280</u>
Net Change in Fund Balance	\$ 205,478	\$ (555,833)	\$ (819,802)	\$ 1,025,280
Fund Balance, July 1, 2006	1,273,434	1,223,630	1,223,630	49,804
Fund Balance, June 30, 2007	<u>\$ 1,478,912</u>	<u>\$ 667,797</u>	<u>\$ 403,828</u>	<u>\$ 1,075,084</u>

Exhibit F-3

Hardeman County, Tennessee
Schedule of Funding Progress – Pension Plan
June 30, 2007

Required Supplementary Information

Schedule of Funding Progress for Hardeman County

(Dollar amounts in thousands)

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

HARDEMAN COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2007

A. BUDGETARY INFORMATION

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

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

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

B. EXPENDITURES EXCEEDED APPROPRIATIONS

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

Major Appropriation Category	Amount Overspent
Budget and Finance Committee	\$ 20
Other Boards and Committees	125
Other General Administration	1,557
Workhouse	2,381
Airport	128,316

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

**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.

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

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

Capital Projects Fund

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

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

Exhibit G-1

Hardeman County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	<u>Special Revenue Funds</u>			<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Drug Control</u>	<u>Constitu- tional Officers - Fees</u>	<u>Total</u>	<u>Community Development/ Industrial Park</u>	
<u>ASSETS</u>					
Cash	\$ 0	\$ 128,197	\$ 128,197	\$ 0	\$ 128,197
Equity in Pooled Cash and Investments	93,855	0	93,855	693	94,548
Accounts Receivable	2,200	758	2,958	0	2,958
Total Assets	<u>\$ 96,055</u>	<u>\$ 128,955</u>	<u>\$ 225,010</u>	<u>\$ 693</u>	<u>\$ 225,703</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Due to Other Funds	\$ 0	\$ 30	\$ 30	\$ 0	\$ 30
Total Liabilities	<u>\$ 0</u>	<u>\$ 30</u>	<u>\$ 30</u>	<u>\$ 0</u>	<u>\$ 30</u>
<u>Fund Balances</u>					
Unreserved	\$ 96,055	\$ 128,925	\$ 224,980	\$ 693	\$ 225,673
Total Fund Balances	<u>\$ 96,055</u>	<u>\$ 128,925</u>	<u>\$ 224,980</u>	<u>\$ 693</u>	<u>\$ 225,673</u>
Total Liabilities and Fund Balances	<u>\$ 96,055</u>	<u>\$ 128,955</u>	<u>\$ 225,010</u>	<u>\$ 693</u>	<u>\$ 225,703</u>

Exhibit G-2

Hardeman County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	<u>Special Revenue Funds</u>			<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Drug Control</u>	<u>Constitutional Officers - Fees</u>	<u>Total</u>	<u>Community Development/Industrial Park</u>	
<u>Revenues</u>					
Fines, Forfeitures, and Penalties	\$ 42,087	\$ 0	\$ 42,087	\$ 0	\$ 42,087
Charges for Current Services	0	518,371	518,371	0	518,371
Federal Government	0	0	0	13,659	13,659
Total Revenues	<u>\$ 42,087</u>	<u>\$ 518,371</u>	<u>\$ 560,458</u>	<u>\$ 13,659</u>	<u>\$ 574,117</u>
<u>Expenditures</u>					
Current:					
General Government	\$ 0	\$ 119,894	\$ 119,894	\$ 0	\$ 119,894
Finance	0	287,527	287,527	0	287,527
Administration of Justice	0	107,236	107,236	0	107,236
Public Safety	38,130	0	38,130	0	38,130
Other Operations	0	0	0	13,659	13,659
Total Expenditures	<u>\$ 38,130</u>	<u>\$ 514,657</u>	<u>\$ 552,787</u>	<u>\$ 13,659</u>	<u>\$ 566,446</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 3,957</u>	<u>\$ 3,714</u>	<u>\$ 7,671</u>	<u>\$ 0</u>	<u>\$ 7,671</u>
Net Change in Fund Balances	\$ 3,957	\$ 3,714	\$ 7,671	\$ 0	\$ 7,671
Fund Balance, July 1, 2006	92,098	125,211	217,309	693	218,002
Fund Balance, June 30, 2007	<u>\$ 96,055</u>	<u>\$ 128,925</u>	<u>\$ 224,980</u>	<u>\$ 693</u>	<u>\$ 225,673</u>

Exhibit G-3

Hardeman County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 42,087	\$ 27,500	\$ 27,500	\$ 14,587
Other Local Revenues	0	1,500	1,500	(1,500)
Total Revenues	<u>\$ 42,087</u>	<u>\$ 29,000</u>	<u>\$ 29,000</u>	<u>\$ 13,087</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 38,130	\$ 71,150	\$ 71,150	\$ 33,020
Total Expenditures	<u>\$ 38,130</u>	<u>\$ 71,150</u>	<u>\$ 71,150</u>	<u>\$ 33,020</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 3,957</u>	<u>\$ (42,150)</u>	<u>\$ (42,150)</u>	<u>\$ 46,107</u>
Net Change in Fund Balance	\$ 3,957	\$ (42,150)	\$ (42,150)	\$ 46,107
Fund Balance, July 1, 2006	<u>92,098</u>	<u>61,727</u>	<u>61,727</u>	<u>30,371</u>
Fund Balance, June 30, 2007	<u><u>\$ 96,055</u></u>	<u><u>\$ 19,577</u></u>	<u><u>\$ 19,577</u></u>	<u><u>\$ 76,478</u></u>

Major Governmental Fund

General Debt Service Fund

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

Exhibit H

Hardeman County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 28,228	\$ 54,600	\$ 54,600	\$ (26,372)
Other Governments and Citizens Groups	727,443	0	727,443	0
Total Revenues	<u>\$ 755,671</u>	<u>\$ 54,600</u>	<u>\$ 782,043</u>	<u>\$ (26,372)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 29,226	\$ 37,226	\$ 37,226	\$ 8,000
Education	443,443	443,444	443,444	1
<u>Interest on Debt</u>				
General Government	7,786	29,881	29,881	22,095
Education	283,133	286,009	286,009	2,876
<u>Other Debt Service</u>				
General Government	552	2,500	2,500	1,948
Education	867	5,500	5,500	4,633
Total Expenditures	<u>\$ 765,007</u>	<u>\$ 804,560</u>	<u>\$ 804,560</u>	<u>\$ 39,553</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (9,336)</u>	<u>\$ (749,960)</u>	<u>\$ (22,517)</u>	<u>\$ 13,181</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 26,187	\$ 836,892	\$ 109,449	\$ (83,262)
Total Other Financing Sources (Uses)	<u>\$ 26,187</u>	<u>\$ 836,892</u>	<u>\$ 109,449</u>	<u>\$ (83,262)</u>
Net Change in Fund Balance	\$ 16,851	\$ 86,932	\$ 86,932	\$ (70,081)
Fund Balance, July 1, 2006	964,415	1,255,045	1,255,045	(290,630)
Fund Balance, June 30, 2007	<u>\$ 981,266</u>	<u>\$ 1,341,977</u>	<u>\$ 1,341,977</u>	<u>\$ (360,711)</u>

Fiduciary Funds

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

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

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

Exhibit I-1

Hardeman County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2007

	<u>Agency Funds</u>		
	Cities -	Constitu-	
	Sales	tional	
	Tax	Officers -	
		Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 674,247	\$ 674,247
Due from Other Governments	204,416	0	204,416
			<hr/>
Total Assets	\$ 204,416	674,247	\$ 878,663
			<hr/> <hr/>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 204,416	\$ 0	\$ 204,416
Due to Litigants, Heirs, and Others	0	674,247	674,247
			<hr/>
Total Liabilities	\$ 204,416	\$ 674,247	\$ 878,663
			<hr/> <hr/>

Exhibit I-2

Hardeman County, Tennessee

Combining Statement of Changes in Assets and Liabilities - Agency Funds

For the Year Ended June 30, 2007

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,234,455	\$ 1,234,455	\$ 0
Due from Other Governments	205,055	204,416	205,055	204,416
Total Assets	\$ 205,055	\$ 1,438,871	\$ 1,439,510	\$ 204,416
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 205,055	\$ 1,438,871	\$ 1,439,510	\$ 204,416
Total Liabilities	\$ 205,055	\$ 1,438,871	\$ 1,439,510	\$ 204,416
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 576,652	\$ 5,217,481	\$ 5,119,886	\$ 674,247
Total Assets	\$ 576,652	\$ 5,217,481	\$ 5,119,886	\$ 674,247
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 576,652	\$ 5,217,481	\$ 5,119,886	\$ 674,247
Total Liabilities	\$ 576,652	\$ 5,217,481	\$ 5,119,886	\$ 674,247
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,234,455	\$ 1,234,455	\$ 0
Cash	576,652	5,217,481	5,119,886	674,247
Due from Other Governments	205,055	204,416	205,055	204,416
Total Assets	\$ 781,707	\$ 6,656,352	\$ 6,559,396	\$ 878,663
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 205,055	\$ 1,438,871	\$ 1,439,510	\$ 204,416
Due to Litigants, Heirs, and Others	576,652	5,217,481	5,119,886	674,247
Total Liabilities	\$ 781,707	\$ 6,656,352	\$ 6,559,396	\$ 878,663

Hardeman County School Department

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

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

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

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

Exhibit J-1

Hardeman County, Tennessee
Statement of Activities
Discretely Presented Hardeman County School Department
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets Total Governmental Activities
Governmental Activities:					
Instruction	\$ 21,458,170	\$ 8,820	\$ 2,143,137	\$ 254,340	\$ (19,051,873)
Support Services	9,985,073	32,805	1,136	7,217	(9,943,915)
Operation of Non-Instructional Services	2,417,716	25,891	1,750,649	0	(641,176)
Other Debt Service	727,444	0	0	0	(727,444)
Total Governmental Activities	\$ 34,588,403	\$ 67,516	\$ 3,894,922	\$ 261,557	\$ (30,364,408)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 4,561,675
Local Option Sales Tax					2,397,149
Other Local Taxes					4,653
Grants and Contributions Not Restricted for Specific Programs					21,226,560
Unrestricted Investment Income					36
Miscellaneous					176,928
Total General Revenues					\$ 28,367,001
Change in Net Assets					\$ (1,997,407)
Net Assets, July 1, 2006					<u>22,350,266</u>
Net Assets, June 30, 2007					<u><u>\$ 20,352,859</u></u>

Exhibit J-2

Hardeman County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Hardeman County School Department
June 30, 2007

	Major Fund	Nonmajor Fund	Total Govern- mental Funds
	General Purpose School	School Federal Projects	
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 3,369,616	\$ 163,202	\$ 3,532,818
Accounts Receivable	26,213	1,000	27,213
Due from Other Governments	720,324	150,000	870,324
Due from Other Funds	137,564	0	137,564
Property Taxes Receivable	4,845,476	0	4,845,476
Allowance for Uncollectible Property Taxes	(201,783)	0	(201,783)
Total Assets	<u>\$ 8,897,410</u>	<u>\$ 314,202</u>	<u>\$ 9,211,612</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 1,000	\$ 0	\$ 1,000
Due to Other Funds	0	113,624	113,624
Deferred Revenue - Current Property Taxes	4,395,063	0	4,395,063
Deferred Revenue - Delinquent Property Taxes	213,343	0	213,343
Other Deferred Revenues	602,850	0	602,850
Total Liabilities	<u>\$ 5,212,256</u>	<u>\$ 113,624</u>	<u>\$ 5,325,880</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 33,563	\$ 0	\$ 33,563
Reserved for Driver Education	3,752	0	3,752
Reserved for Career Ladder	103,744	0	103,744
Reserved for Basic Education Programs	0	109,565	109,565
Reserved for Title I Grants to Local Education Agencies	0	1,912	1,912
Reserved for Innovative Education Program Strategies	0	64,022	64,022
Reserved for Special Education - Grants to States	0	25,079	25,079
Unreserved, Reported In:			
General Fund	3,544,095	0	3,544,095
Total Fund Balances	<u>\$ 3,685,154</u>	<u>\$ 200,578</u>	<u>\$ 3,885,732</u>
Total Liabilities and Fund Balances	<u>\$ 8,897,410</u>	<u>\$ 314,202</u>	<u>\$ 9,211,612</u>

Exhibit J-3

Hardeman County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
Discretely Presented Hardeman County School Department
June 30, 2007

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)		\$	3,885,732
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	358,501	
Add: buildings and improvements net of accumulated depreciation		13,518,367	
Add: other capital assets net of accumulated depreciation		<u>1,864,572</u>	15,741,440
(2) Internal service funds are used by management to charge the costs of the unemployment compensation benefits to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.			4,018
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: compensated absences payable			(94,524)
(4) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>816,193</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>20,352,859</u></u>

Exhibit J-4

Hardeman County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Hardeman County School Department
For the Year Ended June 30, 2007

	Major Fund	Nonmajor Fund	Total
	General Purpose School	School Federal Projects	Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 6,965,931	\$ 0	\$ 6,965,931
Licenses and Permits	3,468	0	3,468
Charges for Current Services	40,779	0	40,779
Other Local Revenues	147,412	0	147,412
State of Tennessee	20,326,579	0	20,326,579
Federal Government	1,675,458	2,937,679	4,613,137
Other Governments and Citizens Groups	20,956	0	20,956
Total Revenues	<u>\$ 29,180,583</u>	<u>\$ 2,937,679</u>	<u>\$ 32,118,262</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 17,206,898	\$ 2,421,807	\$ 19,628,705
Support Services	9,634,319	515,734	10,150,053
Operation of Non-Instructional Services	2,315,888	0	2,315,888
Capital Outlay	235,456	0	235,456
Debt Service:			
Other Debt Service	727,443	0	727,443
Total Expenditures	<u>\$ 30,120,004</u>	<u>\$ 2,937,541</u>	<u>\$ 33,057,545</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (939,421)</u>	<u>\$ 138</u>	<u>\$ (939,283)</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 44,521	\$ 0	\$ 44,521
Transfers In	38,435	0	38,435
Transfers Out	0	(38,435)	(38,435)
Total Other Financing Sources (Uses)	<u>\$ 82,956</u>	<u>\$ (38,435)</u>	<u>\$ 44,521</u>
Net Change in Fund Balances	\$ (856,465)	\$ (38,297)	\$ (894,762)
Fund Balance, July 1, 2006	4,541,619	238,875	4,780,494
Fund Balance, June 30, 2007	<u>\$ 3,685,154</u>	<u>\$ 200,578</u>	<u>\$ 3,885,732</u>

Exhibit J-5

Hardeman County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Hardeman County School Department
For the Year Ended June 30, 2007

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)		\$	(894,762)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current period	\$	715,156	
Less: current year depreciation expense		<u>(2,159,999)</u>	(1,444,843)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2007	\$	816,193	
Less: deferred delinquent property taxes and other deferred June 30, 2006		<u>(416,097)</u>	400,096
(3) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in compensated absences			(40,399)
(4) Internal service funds are used by management to charge the cost of former employee unemployment compensation benefits to individual funds. The net revenue (expense) of certain activities of the internal service fund is reported with governmental activities in the statement of activities.			
			<u>(17,499)</u>
Change in net assets of governmental activities (Exhibit B)		\$	<u><u>(1,997,407)</u></u>

Exhibit J-6

Hardeman County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Hardeman County School Department
General Purpose School Fund
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 6,965,931	\$ 0	\$ 6,965,931	\$ 7,031,944	\$ 7,031,944	\$ (66,013)
Licenses and Permits	3,468	0	3,468	4,500	4,500	(1,032)
Charges for Current Services	40,779	0	40,779	37,500	65,125	(24,346)
Other Local Revenues	147,412	0	147,412	172,000	161,770	(14,358)
State of Tennessee	20,326,579	0	20,326,579	20,229,392	20,781,507	(454,928)
Federal Government	1,675,458	0	1,675,458	1,850,670	1,850,670	(175,212)
Other Governments and Citizens Groups	20,956	0	20,956	0	20,858	98
Total Revenues	\$ 29,180,583	\$ 0	\$ 29,180,583	\$ 29,326,006	\$ 29,916,374	\$ (735,791)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 13,680,525	\$ (41,200)	\$ 13,639,325	\$ 14,368,211	\$ 13,776,211	\$ 136,886
Alternative Instruction Program	247,481	0	247,481	189,770	249,380	1,899
Special Education Program	2,308,215	0	2,308,215	2,539,905	2,339,905	31,690
Vocational Education Program	970,677	0	970,677	919,103	976,736	6,059
<u>Support Services</u>						
Attendance	134,661	0	134,661	128,925	136,879	2,218
Health Services	221,158	0	221,158	253,730	233,730	12,572
Other Student Support	784,442	0	784,442	675,534	800,594	16,152
Regular Instruction Program	1,095,244	(4,250)	1,090,994	1,065,921	1,112,565	21,571
Alternative Instruction Program	75,959	0	75,959	78,610	78,610	2,651
Special Education Program	517,673	0	517,673	444,146	529,404	11,731
Vocational Education Program	12,516	0	12,516	4,358	17,802	5,286
Board of Education	421,851	0	421,851	450,713	424,513	2,662
Director of Schools	279,238	0	279,238	218,476	284,166	4,928
Office of the Principal	1,682,429	0	1,682,429	1,409,978	1,706,377	23,948

(Continued)

Exhibit J-6

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	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	\$ 226,738	\$ 0	\$ 226,738	\$ 198,836	\$ 227,242	\$ 504
Human Services/Personnel	105,159	0	105,159	113,899	113,899	8,740
Operation of Plant	1,693,225	0	1,693,225	1,727,262	1,779,743	86,518
Maintenance of Plant	563,395	(461)	562,934	409,134	596,009	33,075
Transportation	1,626,874	(416)	1,626,458	1,543,613	1,658,707	32,249
Central and Other	193,757	0	193,757	144,862	200,399	6,642
<u>Operation of Non-Instructional Services</u>						
Food Service	1,623,033	0	1,623,033	1,731,747	1,626,747	3,714
Community Services	47,537	0	47,537	58,135	53,135	5,598
Early Childhood Education	645,318	0	645,318	174,399	655,491	10,173
<u>Capital Outlay</u>						
Regular Capital Outlay	235,456	0	235,456	160,000	235,535	79
<u>Principal on Debt</u>						
Education	0	0	0	370,000	0	0
<u>Interest on Debt</u>						
Education	0	0	0	277,000	677	677
<u>Other Debt Service</u>						
Education	727,443	0	727,443	80,255	727,443	0
Total Expenditures	\$ 30,120,004	\$ (46,327)	\$ 30,073,677	\$ 29,736,522	\$ 30,541,899	\$ 468,222
Excess (Deficiency) of Revenues						
Over Expenditures	\$ (939,421)	\$ 46,327	\$ (893,094)	\$ (410,516)	\$ (625,525)	\$ (267,569)

(Continued)

Exhibit J-6

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 44,521	\$ 0	\$ 44,521	\$ 0	\$ 25,000	\$ 19,521
Transfers In	38,435	0	38,435	50,000	50,000	(11,565)
Total Other Financing Sources (Uses)	<u>\$ 82,956</u>	<u>\$ 0</u>	<u>\$ 82,956</u>	<u>\$ 50,000</u>	<u>\$ 75,000</u>	<u>\$ 7,956</u>
Net Change in Fund Balance	\$ (856,465)	\$ 46,327	\$ (810,138)	\$ (360,516)	\$ (550,525)	\$ (259,613)
Fund Balance, July 1, 2006	4,541,619	(46,327)	4,495,292	4,470,195	4,470,195	25,097
Fund Balance, June 30, 2007	<u>\$ 3,685,154</u>	<u>\$ 0</u>	<u>\$ 3,685,154</u>	<u>\$ 4,109,679</u>	<u>\$ 3,919,670</u>	<u>\$ (234,516)</u>

Exhibit J-7

Hardeman County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Hardeman County School Department
School Federal Projects Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 2,937,679	\$ 3,088,584	\$ 3,088,584	\$ (150,905)
Total Revenues	\$ 2,937,679	\$ 3,088,584	\$ 3,088,584	\$ (150,905)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,480,798	\$ 1,553,943	\$ 1,520,030	\$ 39,232
Special Education Program	859,615	942,468	880,405	20,790
Vocational Education Program	81,394	78,334	81,434	40
<u>Support Services</u>				
Health Services	0	24,758	0	0
Other Student Support	88,958	73,040	93,551	4,593
Regular Instruction Program	234,796	290,994	326,540	91,744
Alternative Instruction Program	0	150	0	0
Special Education Program	189,330	176,021	238,084	48,754
Vocational Education Program	2,650	3,500	2,650	0
Total Expenditures	\$ 2,937,541	\$ 3,143,208	\$ 3,142,694	\$ 205,153
Excess (Deficiency) of Revenues Over Expenditures	\$ 138	\$ (54,624)	\$ (54,110)	\$ 54,248
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (38,435)	\$ (43,013)	\$ (43,525)	\$ 5,090
Total Other Financing Sources (Uses)	\$ (38,435)	\$ (43,013)	\$ (43,525)	\$ 5,090
Net Change in Fund Balance	\$ (38,297)	\$ (97,637)	\$ (97,635)	\$ 59,338
Fund Balance, July 1, 2006	238,875	97,637	97,637	141,238
Fund Balance, June 30, 2007	\$ 200,578	\$ 0	\$ 2	\$ 200,576

Exhibit J-8

Hardeman County, Tennessee
Statement of Net Assets
Proprietary Fund
Discretely Presented Hardeman County School Department
June 30, 2007

	Governmental Activities - Internal Service Fund
	<u>Unemployment Compensation Fund</u>
<u>ASSETS</u>	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 4,018
Total Assets	<u>\$ 4,018</u>
<u>NET ASSETS</u>	
Unrestricted	<u>\$ 4,018</u>
Total Net Assets	<u><u>\$ 4,018</u></u>

Exhibit J-9

Hardeman County, Tennessee
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
Discretely Presented Hardeman County School Department
For the Year Ended June 30, 2007

	Governmental Activities - Internal Service Fund
	<u>Unemployment Compensation Fund</u>
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
Self-Insurance Premiums/Contributions	\$ 13,450
Total Operating Revenues	<u>\$ 13,450</u>
<u>Operating Expenses</u>	
<u>Board of Education</u>	
Other Charges	\$ 30,985
Total Operating Expenses	<u>\$ 30,985</u>
Operating Income (Loss)	<u>\$ (17,535)</u>
<u>Nonoperating Revenues</u>	
Investment Income	\$ 36
Total Nonoperating Revenues	<u>\$ 36</u>
Change in Net Assets	\$ (17,499)
Net Assets, July 1, 2006	<u>21,517</u>
Net Assets, June 30, 2007	<u><u>\$ 4,018</u></u>

Exhibit J-10

Hardeman County, Tennessee
Statement of Cash Flows
Proprietary Fund
Discretely Presented Hardeman County School Department
For the Year Ended June 30, 2007

	Governmental Activities - Internal Service Fund
	<u>Unemployment Compensation Fund</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from Individual Schools	\$ 13,450
Other Charges	(30,985)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (17,535)</u>
<u>Cash Flows from Investing Activities</u>	
Interest on Investments	\$ 36
Net Cash Provided By (Used In) Operating Activities	<u>\$ 36</u>
Increase (Decrease) in Cash	\$ (17,499)
Cash, July 1, 2006	<u>21,517</u>
Cash, June 30, 2007	<u><u>\$ 4,018</u></u>

MISCELLANEOUS SCHEDULES

Exhibit K-1

Hardeman County, Tennessee
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds
For the Year Ended June 30, 2007

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Paid and/or Matured During Period	Outstanding 6-30-07
<u>NOTES PAYABLE</u>							
<u>Payable through General Debt Service Fund</u>							
Energy Efficiency Loan	\$ 500,000	3 %	6-5-01	7-15-08	\$ 227,005	\$ 73,443	\$ 153,562
Convenience Centers	50,000	4.35	5-19-04	5-18-16	43,336	3,551	39,785
Convenience Centers - Trash Compactors	95,000	3.27	10-6-04	10-6-09	68,095	18,675	49,420
Total Notes Payable					<u>\$ 338,436</u>	<u>\$ 95,669</u>	<u>\$ 242,767</u>
<u>CAPITAL LEASES PAYABLE</u>							
<u>Payable through Highway/Public Works Fund</u>							
Trucks (2)	193,300	3.3	11-28-05	11-15-08	\$ 193,300	\$ 62,322	\$ 130,978
Total Capital Leases Payable					<u>\$ 193,300</u>	<u>\$ 62,322</u>	<u>\$ 130,978</u>
<u>BONDS PAYABLE</u>							
<u>Payable through General Debt Service Fund</u>							
Hardeman County Industrial, Fm.H.A.	189,000	5	1-1-1975	1-1-15	\$ 80,000	\$ 7,000	\$ 73,000
School Refunding	1,200,000	3 to 5.1	2-1-1994	1-1-09	325,000	115,000	210,000
School	7,000,000	4 to 5.625	1-15-1997	4-1-07	210,000	210,000	0
School Refunding Series 2005	6,370,000	3.98	12-6-05	4-1-24	6,335,000	45,000	6,290,000
Total Bonds Payable					<u>\$ 6,950,000</u>	<u>\$ 377,000</u>	<u>\$ 6,573,000</u>

Exhibit K-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2008	\$ 403,000	\$ 261,187	\$ 664,187
2009	363,000	244,885	607,885
2010	293,000	231,500	524,500
2011	309,000	219,732	528,732
2012	319,000	207,342	526,342
2013	335,000	194,529	529,529
2014	345,000	181,094	526,094
2015	361,000	167,236	528,236
2016	365,000	153,031	518,031
2017	380,000	138,504	518,504
2018	395,000	123,380	518,380
2019	410,000	107,659	517,659
2020	425,000	91,341	516,341
2021	445,000	74,426	519,426
2022	460,000	56,715	516,715
2023	480,000	38,407	518,407
2024	485,000	19,303	504,303
Total	<u>\$ 6,573,000</u>	<u>\$ 2,510,271</u>	<u>\$ 9,083,271</u>

Exhibit K-3

Hardeman County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Hardeman County School Department
For the Year Ended June 30, 2007

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>Primary Government</u>			
General	General Debt Service	To provide funds for debt retirement	<u>\$ 26,187</u>
Total Transfers Primary Government			<u><u>\$ 26,187</u></u>
<u>Discretely Presented Hardeman County School Department</u>			
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 38,435</u>
Total Transfers Discretely Presented Hardeman County School Department			<u><u>\$ 38,435</u></u>

Exhibit K-4

Hardeman County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Hardeman County School Department
For the Year Ended June 30, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor:				
Don Clift (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u> , and Chapter 90, Private Acts of 1989	\$ 11,395 (1) \$	50,000	Auto-Owners Mutual Insurance Company
Willie Spencer (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u> , and Chapter 90, Private Acts of 1989	56,964 (2)	50,000	Auto-Owners Mutual Insurance Company
Director of Schools	State Board of Education and County Board of Education	105,267 (3)	150,000	Tennessee School Board Risk Management Trust
Highway Superintendent	Section 8-24-102, <u>TCA</u>	67,363	100,000	Auto-Owners Mutual Insurance Company
Trustee	Section 8-24-102, <u>TCA</u>	57,569 (4)	753,800	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	56,069	10,000	Western Surety Company
County Clerk	Section 8-24-102, <u>TCA</u>	56,069	50,000	Auto-Owners Mutual Insurance Company
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	56,069	65,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	56,069	65,000	Western Surety Company
Register	Section 8-24-102, <u>TCA</u>	57,569 (4)	25,000	Auto-Owners Mutual Insurance Company
Sheriff	Section 8-24-102, <u>TCA</u>	62,276 (5)	25,000	"
Employee Dishonesty Coverage:				
County General Employees			150,000	Tennessee School Boards Risk Management Trust
Highway Superintendent's Office			150,000	"
Office of Director of Schools:				
School Central Office Staff			150,000	"

- (1) Includes purchasing agent supplement of \$600.
- (2) Includes purchasing agent supplement of \$3,000.
- (3) Includes career ladder supplement of \$1,000 and a one time state bonus of \$257.
- (4) Includes educational incentive pay of \$1,500.
- (5) Includes law enforcement training supplement of \$600.

Exhibit K-5

Hardeman County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2007

	Special Revenue Funds				Debt Service Fund	Capital Projects Fund	
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	Total
<u>Local Taxes</u>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 2,664,582	\$ 0	\$ 0	\$ 0	\$ 25,875	\$ 0	\$ 2,690,457
Trustee's Collections - Prior Year	111,349	0	0	0	1,073	0	112,422
Trustee's Collections - Bankruptcy	8,077	0	0	0	78	0	8,155
Circuit/Clerk & Master Collections - Prior Years	55,202	0	0	0	536	0	55,738
Interest and Penalty	22,115	0	0	0	217	0	22,332
Payments in-Lieu-of Taxes - Other	198,966	0	0	0	449	0	199,415
<u>County Local Option Taxes</u>							
Local Option Sales Tax	239,379	0	0	0	0	0	239,379
Hotel/Motel Tax	11,950	0	0	0	0	0	11,950
Wheel Tax	0	0	0	667,130	0	0	667,130
Litigation Tax - General	115,133	0	0	0	0	0	115,133
Litigation Tax - Jail, Workhouse, or Courthouse	36,931	0	0	0	0	0	36,931
Business Tax	156,056	0	0	0	0	0	156,056
<u>Statutory Local Taxes</u>							
Bank Excise Tax	64,971	0	0	0	0	0	64,971
Wholesale Beer Tax	219,010	0	0	0	0	0	219,010
Interstate Telecommunications Tax	2,607	0	0	0	0	0	2,607
Total Local Taxes	\$ 3,906,328	\$ 0	\$ 0	\$ 667,130	\$ 28,228	\$ 0	\$ 4,601,686
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Animal Registration	\$ 2,993	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,993
Cable TV Franchise	5,395	0	0	0	0	0	5,395
<u>Permits</u>							
Beer Permits	1,995	0	0	0	0	0	1,995
Building Permits	13,100	0	0	0	0	0	13,100
Other Permits	1,550	0	0	0	0	0	1,550
Total Licenses and Permits	\$ 25,033	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25,033
<u>Fines, Forfeitures, and Penalties</u>							
<u>Circuit Court</u>							
Fines	\$ 8,161	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,161

(Continued)

Exhibit K-5

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

	Special Revenue Funds				Debt Service Fund	Capital Projects Fund	Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>							
<u>Circuit Court (Cont.)</u>							
Officers Costs	\$ 14,542	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	14,542
Drug Control Fines	7,915	7,175	0	0	0	0	15,090
Jail Fees	2,413	0	0	0	0	0	2,413
Data Entry Fee - Circuit Court	558	0	0	0	0	0	558
Courtroom Security Fee	4	0	0	0	0	0	4
<u>General Sessions Court</u>							
Fines	40,174	0	0	0	0	0	40,174
Officers Costs	46,744	0	0	0	0	0	46,744
Game and Fish Fines	455	0	0	0	0	0	455
Drug Control Fines	9,681	9,928	0	0	0	0	19,609
Jail Fees	11,478	0	0	0	0	0	11,478
DUI Treatment Fines	6,402	0	0	0	0	0	6,402
Data Entry Fee - General Sessions Court	5,935	0	0	0	0	0	5,935
Courtroom Security Fee	203	0	0	0	0	0	203
<u>Juvenile Court</u>							
Fines	228	0	0	0	0	0	228
Officers Costs	4,802	0	0	0	0	0	4,802
Data Entry Fee - Juvenile Court	1,175	0	0	0	0	0	1,175
<u>Chancery Court</u>							
Officers Costs	2,223	0	0	0	0	0	2,223
Data Entry Fee - Chancery Court	1,898	0	0	0	0	0	1,898
<u>Other Courts - In-county</u>							
Officers Costs	366	0	0	0	0	0	366
<u>Other Fines, Forfeitures, and Penalties</u>							
Proceeds from Confiscated Property	0	24,984	0	0	0	0	24,984
Total Fines, Forfeitures, and Penalties	\$ 165,357	\$ 42,087	\$ 0	\$ 0	\$ 0	\$ 0	207,444
<u>Charges for Current Services</u>							
<u>General Service Charges</u>							
Patient Charges	\$ 1,197,387	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,197,387
Work Release Charges for Board	5,598	0	0	0	0	0	5,598

(Continued)

Exhibit K-5

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

	Special Revenue Funds				Debt Service Fund	Capital Projects Fund	Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	
<u>Charges for Current Services (Cont.)</u>							
<u>Fees</u>							
Copy Fees	\$ 7,316	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,316
Telephone Commissions	13,093	0	0	0	0	0	13,093
Vending Machine Collections	18	0	0	0	0	0	18
Constitutional Officers' Fees and Commissions	0	0	518,371	0	0	0	518,371
Data Processing Fee - Register	11,270	0	0	0	0	0	11,270
Data Processing Fee - Sheriff	5,006	0	0	0	0	0	5,006
Total Charges for Current Services	\$ 1,239,688	\$ 0	\$ 518,371	\$ 0	\$ 0	\$ 0	\$ 1,758,059
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	\$ 434,642	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 434,642
Lease/Rentals	181	0	0	0	0	0	181
Commissary Sales	96	0	0	0	0	0	96
Sale of Maps	3,787	0	0	0	0	0	3,787
Miscellaneous Refunds	24,176	0	0	1,204	0	0	25,380
<u>Nonrecurring Items</u>							
Sale of Equipment	0	0	0	23,195	0	0	23,195
Sale of Property	32,794	0	0	0	0	0	32,794
Contributions & Gifts	488	0	0	0	0	0	488
<u>Other Local Revenues</u>							
Other Local Revenues	18,829	0	0	0	0	0	18,829
Total Other Local Revenues	\$ 514,993	\$ 0	\$ 0	\$ 24,399	\$ 0	\$ 0	\$ 539,392
<u>Fees Received from County Officials</u>							
<u>Excess Fees</u>							
County Clerk	\$ 68,213	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 68,213
Clerk and Master	32,469	0	0	0	0	0	32,469
Register	17,833	0	0	0	0	0	17,833
Trustee	180,451	0	0	0	0	0	180,451
<u>Fees-In-Lieu of Salary</u>							
Circuit Court Clerk	97,673	0	0	0	0	0	97,673
General Sessions Court Clerk	309,651	0	0	0	0	0	309,651

(Continued)

Exhibit K-5

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

	Special Revenue Funds				Debt Service Fund	Capital Projects Fund	
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	Total
<u>Fees Received from County Officials (Cont.)</u>							
<u>Fees-In-Lieu of Salary (Cont.)</u>							
Sheriff	\$ 42,282	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 42,282
Total Fees Received from County Officials	\$ 748,572	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 748,572
<u>State of Tennessee</u>							
<u>General Government Grants</u>							
Juvenile Services Program	\$ 9,495	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,495
Airport Maintenance Program	1,731	0	0	0	0	0	1,731
State Reappraisal Grant	12,609	0	0	0	0	0	12,609
<u>Public Safety Grants</u>							
Law Enforcement Training Programs	10,200	0	0	0	0	0	10,200
<u>Health and Welfare Grants</u>							
Health Department Programs	210,673	0	0	0	0	0	210,673
<u>Public Works Grants</u>							
State Aid Program	0	0	0	178,777	0	0	178,777
Litter Program	33,487	0	0	0	0	0	33,487
<u>Other State Revenues</u>							
Beer Tax	18,753	0	0	0	0	0	18,753
Alcoholic Beverage Tax	51,980	0	0	0	0	0	51,980
State Revenue Sharing - T.V.A.	585,020	0	0	0	0	0	585,020
Contracted Prisoner Boarding	142,272	0	0	0	0	0	142,272
Gasoline and Motor Fuel Tax	0	0	0	1,970,550	0	0	1,970,550
Petroleum Special Tax	0	0	0	22,608	0	0	22,608
Registrar's Salary Supplement	16,380	0	0	0	0	0	16,380
Other State Grants	14,790	0	0	0	0	0	14,790
Total State of Tennessee	\$ 1,107,390	\$ 0	\$ 0	\$ 2,171,935	\$ 0	\$ 0	\$ 3,279,325
<u>Federal Government</u>							
<u>Federal Through State</u>							
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,659	\$ 13,659
Homeland Security Grants	62,984	0	0	0	0	0	62,984
Other Federal through State	281,756	0	0	0	0	0	281,756
Total Federal Government	\$ 344,740	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,659	\$ 358,399

(Continued)

Exhibit K-5

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

	<u>Special Revenue Funds</u>				<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	
	<u>General</u>	<u>Drug Control</u>	<u>Constitutional Officers - Fees</u>	<u>Highway / Public Works</u>	<u>General Debt Service</u>	<u>Community Development/ Industrial Park</u>	<u>Total</u>
<u>Other Governments and Citizens Groups</u>							
<u>Other Governments</u>							
Contributions	\$ 968	\$ 0	\$ 0	\$ 0	\$ 727,443	\$ 0	\$ 728,411
<u>Other</u>							
Other	2,730	0	0	0	0	0	2,730
Total Other Governments and Citizens Groups	<u>\$ 3,698</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 727,443</u>	<u>\$ 0</u>	<u>\$ 731,141</u>
Total	<u>\$ 8,055,799</u>	<u>\$ 42,087</u>	<u>\$ 518,371</u>	<u>\$ 2,863,464</u>	<u>\$ 755,671</u>	<u>\$ 13,659</u>	<u>\$ 12,249,051</u>

Exhibit K-6

Hardeman County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Hardeman County School Department
For the Year Ended June 30, 2007

	General Purpose School	School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 4,165,030	\$ 0	\$ 4,165,030
Trustee's Collections - Prior Year	196,930	0	196,930
Trustee's Collections - Bankruptcy	12,625	0	12,625
Circuit/Clerk & Master Collections - Prior Years	86,286	0	86,286
Interest and Penalty	36,411	0	36,411
Payments in-Lieu-of Taxes - Other	66,747	0	66,747
<u>County Local Option Taxes</u>			
Local Option Sales Tax	2,396,908	0	2,396,908
Other County Local Option Taxes	341	0	341
<u>Statutory Local Taxes</u>			
Interstate Telecommunications Tax	4,653	0	4,653
Total Local Taxes	<u>\$ 6,965,931</u>	<u>\$ 0</u>	<u>\$ 6,965,931</u>
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 3,468	\$ 0	\$ 3,468
Total Licenses and Permits	<u>\$ 3,468</u>	<u>\$ 0</u>	<u>\$ 3,468</u>
<u>Charges for Current Services</u>			
<u>Fees</u>			
Vending Machine Collections	\$ 1,106	\$ 0	\$ 1,106
<u>Education Charges</u>			
Tuition - Summer School	7,620	0	7,620
Contract for Instructional Services with Other LEAs	25,891	0	25,891
Receipts from Individual Schools	4,162	0	4,162
TBI Criminal Background Fees	1,200	0	1,200
<u>Other Charges for Services</u>			
Other Charges for Services	800	0	800
Total Charges for Current Services	<u>\$ 40,779</u>	<u>\$ 0</u>	<u>\$ 40,779</u>
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Lease/Rentals	\$ 26,737	\$ 0	\$ 26,737
Retirees' Insurance Payments	8,574	0	8,574
Miscellaneous Refunds	50,410	0	50,410
<u>Nonrecurring Items</u>			
Sale of Equipment	6,525	0	6,525
Damages Recovered from Individuals	23	0	23
Contributions & Gifts	14,770	0	14,770
<u>Other Local Revenues</u>			
Other Local Revenues	40,373	0	40,373
Total Other Local Revenues	<u>\$ 147,412</u>	<u>\$ 0</u>	<u>\$ 147,412</u>
<u>State of Tennessee</u>			
<u>State Education Funds</u>			
Basic Education Program	\$ 19,273,490	\$ 0	\$ 19,273,490
Early Childhood Education	443,712	0	443,712
School Food Service	26,185	0	26,185

(Continued)

Exhibit K-6

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

	General Purpose School	School Federal Projects	Total
<u>State of Tennessee (Cont.)</u>			
<u>State Education Funds (Cont.)</u>			
Driver Education	\$ 8,624	\$ 0	\$ 8,624
Other State Education Funds	122,630	0	122,630
Career Ladder Program	249,165	0	249,165
Career Ladder - Extended Contract	131,750	0	131,750
<u>Other State Revenues</u>			
Other State Revenues	71,023	0	71,023
Total State of Tennessee	\$ 20,326,579	\$ 0	\$ 20,326,579
<u>Federal Government</u>			
<u>Federal Through State</u>			
USDA School Lunch Program	\$ 1,092,833	\$ 0	\$ 1,092,833
Breakfast	448,454	0	448,454
USDA - Other	7,499	0	7,499
Vocational Education - Basic Grants to States	0	99,303	99,303
Title I Grants to Local Education Agencies	0	1,151,370	1,151,370
Innovative Education Program Strategies	0	108,797	108,797
Special Education - Grants to States	62,779	1,031,666	1,094,445
Special Education Preschool Grants	14,861	42,170	57,031
Eisenhower Professional Development State Grants	0	291,848	291,848
Disaster Relief	7,217	0	7,217
Other Federal through State	0	212,525	212,525
<u>Direct Federal Revenue</u>			
ROTC Reimbursement	41,815	0	41,815
Total Federal Government	\$ 1,675,458	\$ 2,937,679	\$ 4,613,137
<u>Other Governments and Citizens Groups</u>			
<u>Other Governments</u>			
Contributions	\$ 20,956	\$ 0	\$ 20,956
Total Other Governments and Citizens Groups	\$ 20,956	\$ 0	\$ 20,956
Total	\$ 29,180,583	\$ 2,937,679	\$ 32,118,262

Exhibit K-7

Hardeman County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2007

General Fund

General Government

County Commission

Board and Committee Members Fees	\$ 12,150	
Total County Commission		\$ 12,150

Board of Equalization

Board and Committee Members Fees	\$ 525	
Total Board of Equalization		525

Beer Board

Board and Committee Members Fees	\$ 1,750	
Total Beer Board		1,750

Budget and Finance Committee

Board and Committee Members Fees	\$ 2,520	
Total Budget and Finance Committee		2,520

Other Boards and Committees

Board and Committee Members Fees	\$ 4,655	
Travel	1,970	
Total Other Boards and Committees		6,625

County Mayor/Executive

County Official/Administrative Officer	\$ 64,759	
Secretary(ies)	68,165	
Communication	3,476	
Maintenance & Repair Services - Office Equipment	812	
Postal Charges	2,000	
Travel	3,058	
Office Supplies	4,731	
Other Supplies and Materials	93	
Other Charges	112	
Office Equipment	3,976	
Total County Mayor/Executive		151,182

County Attorney

County Official/Administrative Officer	\$ 10,412	
Total County Attorney		10,412

Election Commission

County Official/Administrative Officer	\$ 50,462
Clerical Personnel	19,022

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Overtime Pay	\$	1,074	
Board and Committee Members Fees		2,650	
Election Workers		21,063	
Communication		2,452	
Dues and Memberships		150	
Legal Notices, Recording, and Court Costs		3,148	
Postal Charges		4,983	
Printing, Stationery, and Forms		4,735	
Rentals		13,580	
Travel		4,600	
Other Contracted Services		5,565	
Office Supplies		3,347	
Utilities		3,458	
Other Charges		784	
Office Equipment		10,141	
Total Election Commission			\$ 151,214

Register of Deeds

Educational Incentive - Official/Admin Officer	\$	1,500	
Educational Incentive - Other County Employees		2,925	
Communication		4,247	
Data Processing Services		10,545	
Postal Charges		492	
Data Processing Supplies		911	
Office Supplies		5,429	
Total Register of Deeds			26,049

Development

County Official/Administrative Officer	\$	17,220	
Clerical Personnel		21,628	
Part-time Personnel		2,492	
Communication		1,967	
Contracts with Government Agencies		10,500	
Travel		2,437	
Office Supplies		1,129	
Other Charges		50	
Office Equipment		803	
Total Development			58,226

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings

Supervisor/Director	\$	32,144	
Custodial Personnel		39,217	
Communication		1,849	
Maintenance & Repair Services - Buildings		21,251	
Other Contracted Services		526	
Custodial Supplies		3,801	
Utilities		46,584	
Other Supplies and Materials		<u>1,050</u>	
Total County Buildings			\$ 146,422

Other General Administration

Land	\$	<u>26,094</u>	
Total Other General Administration			26,094

Finance

Accounting and Budgeting

Part-time Personnel	\$	1,050	
Other Contracted Services		12,050	
Periodicals		<u>147</u>	
Total Accounting and Budgeting			13,247

Purchasing

County Official/Administrative Officer	\$	<u>3,600</u>	
Total Purchasing			3,600

Property Assessor's Office

County Official/Administrative Officer	\$	56,069	
Deputy(ies)		42,257	
Clerical Personnel		30,849	
Part-time Personnel		7,203	
Communication		2,923	
Data Processing Services		10,908	
Dues and Memberships		1,185	
Maintenance & Repair Services - Office Equipment		765	
Postal Charges		796	
Travel		1,687	
Other Contracted Services		17,235	
Office Supplies		1,485	
Other Supplies and Materials		2,398	
Office Equipment		<u>3,375</u>	
Total Property Assessor's Office			179,135

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program

Other Salaries & Wages	\$	19,139	
Data Processing Services		3,469	
Postal Charges		4,732	
Travel		4,396	
Other Contracted Services		500	
Total Reappraisal Program			\$ 32,236

County Trustee's Office

Educational Incentive - Official/Admin Officer	\$	1,500	
Educational Incentive - Other County Employees		3,000	
Communication		4,387	
Maintenance & Repair Services - Office Equipment		695	
Postal Charges		6,304	
Office Supplies		4,504	
Office Equipment		500	
Total County Trustee's Office			20,890

County Clerk's Office

Communication	\$	3,175	
Maintenance & Repair Services - Office Equipment		6,053	
Postal Charges		5,360	
Office Supplies		3,497	
Office Equipment		287	
Total County Clerk's Office			18,372

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	56,069	
Deputy(ies)		44,574	
Clerical Personnel		96,210	
Part-time Personnel		10,597	
Educational Incentive - Other County Employees		2,025	
Jury and Witness Fees		8,407	
Other Per Diem & Fees		92	
Communication		4,125	
Maintenance & Repair Services - Office Equipment		866	
Postal Charges		4,741	
Travel		1,310	
Office Supplies		10,690	
Other Charges		219	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Office Equipment	\$	2,019	
Total Circuit Court			\$ 241,944

General Sessions Court

Judge(s)	\$	87,932	
Secretary(ies)		6,494	
Part-time Personnel		2,400	
Dues and Memberships		172	
Travel		680	
Total General Sessions Court			97,678

Chancery Court

Communication	\$	2,404	
Data Processing Services		440	
Legal Notices, Recording, and Court Costs		2,530	
Maintenance & Repair Services - Office Equipment		527	
Postal Charges		3,642	
Travel		213	
Office Supplies		4,965	
Office Equipment		7,667	
Total Chancery Court			22,388

Juvenile Court

Other Salaries & Wages	\$	26,000	
Communication		2,284	
Contracts with Government Agencies		4,742	
Contracts with Other Public Agencies		2,175	
Transportation - Other than Students		48	
Travel		2,724	
Office Supplies		2,469	
Other Charges		120	
Office Equipment		50	
Total Juvenile Court			40,612

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	61,676	
Assistant(s)		35,633	
Deputy(ies)		423,812	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Investigator(s)	\$	121,663	
Salary Supplements		12,200	
Dispatchers/Radio Operators		96,929	
Secretary(ies)		48,706	
Part-time Personnel		4,720	
Overtime Pay		25,820	
In-Service Training		6,115	
Communication		23,135	
Dues and Memberships		1,665	
Maintenance & Repair Services - Vehicles		37,932	
Postal Charges		3,787	
Travel		4,388	
Gasoline		73,200	
Office Supplies		10,361	
Uniforms		9,560	
Medical Claims		840	
Other Charges		8,798	
Communication Equipment		5,242	
Law Enforcement Equipment		3,158	
Motor Vehicles		49,623	
Office Equipment		7,685	
Total Sheriff's Department			\$ 1,076,648

Workhouse

Medical Personnel	\$	1,500
Guards		242,542
Cafeteria Personnel		20,157
Part-time Personnel		6,993
Overtime Pay		8,266
Architects		24,255
Communication		1,787
Maintenance & Repair Services - Buildings		3,216
Maintenance & Repair Services - Equipment		7,158
Medical and Dental Services		20,164
Custodial Supplies		14,865
Drugs and Medical Supplies		8,799
Electricity		48,247
Food Preparation Supplies		3,360
Food Supplies		123,932
Other Supplies and Materials		3,776

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Workhouse (Cont.)

Other Charges	\$	531	
Building Improvements		1,551	
Communication Equipment		253	
Total Workhouse			\$ 541,352

Juvenile Services

Supervisor/Director	\$	29,000	
Communication		1,085	
Postal Charges		248	
Office Supplies		182	
Office Equipment		779	
Total Juvenile Services			31,294

Fire Prevention and Control

Contracts with Government Agencies	\$	92,000	
Total Fire Prevention and Control			92,000

Civil Defense

Supervisor/Director	\$	5,520	
Part-time Personnel		1,200	
Communication		1,747	
Gasoline		774	
Office Supplies		137	
Other Charges		727	
Other Equipment		59,600	
Total Civil Defense			69,705

County Coroner/Medical Examiner

Other Contracted Services	\$	23,851	
Total County Coroner/Medical Examiner			23,851

Public Health and Welfare

Local Health Center

Communication	\$	7,689	
Contracts with Government Agencies		25,320	
Janitorial Services		14,400	
Maintenance & Repair Services - Buildings		5,474	
Postal Charges		3,486	
Custodial Supplies		1,748	
Office Supplies		3,093	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Utilities	\$	14,501	
Other Supplies and Materials		<u>3,659</u>	
Total Local Health Center			\$ 79,370

Rabies and Animal Control

County Official/Administrative Officer	\$	22,491	
Communication		1,493	
Maintenance & Repair Services - Vehicles		1,490	
Animal Food and Supplies		617	
Gasoline		4,658	
Uniforms		525	
Other Supplies and Materials		4,427	
Other Charges		<u>433</u>	
Total Rabies and Animal Control			36,134

Ambulance/Emergency Medical Services

Assistant(s)	\$	32,960	
Supervisor/Director		46,304	
Clerical Personnel		19,617	
Attendants		631,946	
Educational Incentive - Other County Employees		2,818	
Overtime Pay		150,112	
In-Service Training		1,945	
Communication		21,491	
Contracts with Private Agencies		14,547	
Maintenance & Repair Services - Buildings		2,455	
Maintenance & Repair Services - Vehicles		43,968	
Postal Charges		7,166	
Travel		754	
Custodial Supplies		4,206	
Drugs and Medical Supplies		67,695	
Gasoline		44,624	
Office Supplies		8,842	
Tires and Tubes		4,596	
Uniforms		4,338	
Utilities		7,991	
Refunds		18,930	
Other Charges		7,023	
Motor Vehicles		94,175	
Other Equipment		1,898	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Other Capital Outlay	\$ 1,068	
Total Ambulance/Emergency Medical Services		\$ 1,241,469

Dental Health Program

Medical Personnel	\$ 135,913	
Paraprofessionals	20,710	
Clerical Personnel	33,329	
Travel	2,396	
Drugs and Medical Supplies	17,886	
Total Dental Health Program		210,234

Alcohol and Drug Programs

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

Crippled Children Services

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

Other Local Health Services

Contracts with Other Public Agencies	\$ 3,000	
Total Other Local Health Services		3,000

Regional Mental Health Center

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

Other Local Welfare Services

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

Sanitation Education/Information

Foremen	\$ 9,477	
Laborers	6,150	
Employee and Dependent Insurance	5,276	
Instructional Supplies and Materials	4,650	
Other Supplies and Materials	945	
Other Charges	600	
Total Sanitation Education/Information		27,098

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Waste Pickup

Contracts with Private Agencies	\$ 234,977	
Total Waste Pickup		\$ 234,977

Convenience Centers

Supervisor/Director	\$ 7,029	
Part-time Personnel	154,076	
Communication	6,941	
Maintenance & Repair Services - Equipment	171	
Rentals	10	
Other Contracted Services	7,860	
Gasoline	642	
Office Supplies	436	
Road Signs	285	
Uniforms	1,907	
Utilities	9,451	
Gravel and Chert	879	
Fencing	549	
Other Supplies and Materials	464	
Other Charges	1,610	
Total Convenience Centers		192,310

Social, Cultural, and Recreational Services

Libraries

Contributions	\$ 7,150	
Other Contracted Services	79,626	
Total Libraries		86,776

Other Social, Cultural, and Recreational

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

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$ 63,055	
Communication	2,891	
Rentals	19,104	
Travel	2,000	
Utilities	3,618	
Other Supplies and Materials	576	
Other Capital Outlay	1,535	
Total Agriculture Extension Service		92,779

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Forest Service

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

Soil Conservation

Secretary(ies)	\$ 19,860	
Dues and Memberships	1,030	
Travel	1,087	
Other Supplies and Materials	1,140	
Total Soil Conservation		23,117

Other Operations

Industrial Development

Advertising	\$ 329	
Contracts with Other Public Agencies	24,775	
Contributions	32,000	
Dues and Memberships	40	
Total Industrial Development		57,144

Airport

Communication	\$ 1,460	
Maintenance & Repair Services - Buildings	3,387	
Maintenance & Repair Services - Equipment	10,668	
Other Contracted Services	12,000	
Gasoline	8,552	
Utilities	10,270	
Airport Improvement	308,820	
Total Airport		355,157

Veterans' Services

Secretary(ies)	\$ 7,068	
Communication	468	
Postal Charges	91	
Total Veterans' Services		7,627

Contributions to Other Agencies

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

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Other Operations (Cont.)

Employee Benefits

Social Security	\$	225,863	
State Retirement		379,962	
Employee and Dependent Insurance		568,686	
Disability Insurance		117,333	
Unemployment Compensation		4,859	
Employer Medicare		52,822	
Total Employee Benefits			\$ 1,349,525

Miscellaneous

Audit Services	\$	15,499	
Contributions		25,000	
Data Processing Services		27,093	
Dues and Memberships		7,769	
Legal Notices, Recording, and Court Costs		8,465	
Other Contracted Services		249	
Other Supplies and Materials		8,316	
Liability Insurance		67,146	
Premiums on Corporate Surety Bonds		7,589	
Trustee's Commission		92,933	
Other Charges		4,872	
Total Miscellaneous			264,931

Total General Fund \$ 7,400,815

Drug Control Fund

Public Safety

Drug Enforcement

In-Service Training	\$	300	
Communication		1,279	
Confidential Drug Enforcement Payments		2,000	
Maintenance & Repair Services - Vehicles		103	
Travel		1,016	
Instructional Supplies and Materials		6,745	
Office Supplies		478	
Trustee's Commission		160	
Other Charges		3,680	
Law Enforcement Equipment		16,271	
Other Equipment		6,098	
Total Drug Enforcement			\$ 38,130

Total Drug Control Fund 38,130

(Continued)

Exhibit K-7

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

Constitutional Officers - Fees Fund

General Government

Register of Deeds

Constitutional Officers' Operating Expenses	\$ 119,894	
Total Register of Deeds		\$ 119,894

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$ 124,445	
Total County Trustee's Office		124,445

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 163,082	
Total County Clerk's Office		163,082

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$ 107,236	
Total Chancery Court		<u>107,236</u>

Total Constitutional Officers - Fees Fund		\$ 514,657
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Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 67,363	
Secretary(ies)	50,047	
Board and Committee Members Fees	7,200	
Communication	5,647	
Data Processing Services	5,423	
Dues and Memberships	3,854	
Legal Services	3,136	
Legal Notices, Recording, and Court Costs	294	
Postal Charges	708	
Rentals	1,200	
Travel	1,047	
Other Contracted Services	1,098	
Electricity	18,759	
Office Supplies	4,916	
Other Supplies and Materials	796	
Total Administration		\$ <u>171,488</u>

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance

Foremen	\$	118,723	
Laborers		536,668	
Overtime Pay		9,763	
Other Salaries & Wages		10,081	
Rentals		2,250	
Other Contracted Services		1,857	
Asphalt - Hot Mix		106,576	
Asphalt - Liquid		158,630	
Crushed Stone		154,890	
General Construction Materials		3,029	
Pipe		12,328	
Road Signs		6,876	
Wood Products		23,998	
Chemicals		12,518	
Other Supplies and Materials		572	
Total Highway and Bridge Maintenance			\$ 1,158,759

Operation and Maintenance of Equipment

Foremen	\$	29,988	
Mechanic(s)		51,816	
Overtime Pay		1,767	
Other Salaries & Wages		1,219	
Equipment and Machinery Parts		112,424	
Garage Supplies		975	
Gasoline		173,649	
Lubricants		9,878	
Tires and Tubes		30,640	
Uniforms		8,849	
Other Supplies and Materials		863	
Total Operation and Maintenance of Equipment			422,068

Other Charges

Liability Insurance	\$	41,715	
Premiums on Corporate Surety Bonds		792	
Trustee's Commission		26,585	
Total Other Charges			69,092

Employee Benefits

Social Security	\$	54,722	
State Retirement		102,717	

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits (Cont.)

Employee and Dependent Insurance	\$	174,797	
Disability Insurance		48,761	
Unemployment Compensation		1,548	
Employer Medicare		12,798	
Other Fringe Benefits		1,069	
Total Employee Benefits			\$ 396,412

Capital Outlay

Principal on Capital Leases	\$	62,322	
Interest on Capital Leases		6,476	
Bridge Construction		76,852	
Building Improvements		872	
Communication Equipment		1,062	
Highway Construction		52,330	
Highway Equipment		78,500	
State Aid Projects		156,991	
Other Capital Outlay		4,762	
Total Capital Outlay			440,167

Total Highway/Public Works Fund \$ 2,657,986

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	7,000	
Principal on Notes		22,226	
Total General Government			\$ 29,226

Education

Principal on Bonds	\$	370,000	
Principal on Notes		73,443	
Total Education			443,443

Interest on Debt

General Government

Interest on Bonds	\$	3,825	
Interest on Notes		3,961	
Total General Government			7,786

(Continued)

Exhibit K-7

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

General Debt Service Fund (Cont.)

Interest on Debt (Cont.)

Education

Interest on Bonds	\$ 276,323	
Interest on Notes	<u>6,810</u>	
Total Education		\$ 283,133

Other Debt Service

General Government

Trustee's Commission	\$ <u>552</u>	
Total General Government		552

Education

Other Charges	\$ <u>867</u>	
Total Education		<u>867</u>

Total General Debt Service Fund \$ 765,007

Community Development/Industrial Park Fund

Other Operations

Other Economic and Community Development

Engineering Services	\$ 1,419	
Other Contracted Services	<u>12,240</u>	
Total Other Economic and Community Development		\$ <u>13,659</u>

Total Community Development/Industrial Park Fund 13,659

Total Governmental Funds - Primary Government \$ 11,390,254

Exhibit K-8

Hardeman County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Hardeman County School Department
For the Year Ended June 30, 2007

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 9,665,921	
Career Ladder Program	142,745	
Career Ladder Extended Contracts	75,678	
Homebound Teachers	12,130	
Educational Assistants	172,132	
Other Salaries & Wages	44,596	
Certified Substitute Teachers	41,568	
Non-certified Substitute Teachers	63,657	
Social Security	633,169	
State Retirement	630,716	
Medical Insurance	1,442,717	
Dental Insurance	72,602	
Unemployment Compensation	7,250	
Employer Medicare	148,111	
Maintenance & Repair Services - Equipment	10,603	
Other Contracted Services	62,301	
Instructional Supplies and Materials	115,989	
Textbooks	174,961	
Other Charges	685	
Regular Instruction Equipment	162,994	
Total Regular Instruction Program		\$ 13,680,525

Alternative Instruction Program

Teachers	\$ 181,659	
Social Security	11,263	
State Retirement	9,867	
Medical Insurance	22,800	
Dental Insurance	966	
Unemployment Compensation	80	
Employer Medicare	2,634	
Maintenance & Repair Services - Equipment	199	
Instructional Supplies and Materials	18,013	
Total Alternative Instruction Program		247,481

Special Education Program

Teachers	\$ 1,382,347	
Career Ladder Program	16,500	
Educational Assistants	138,969	
Certified Substitute Teachers	3,234	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Non-certified Substitute Teachers	\$	6,831	
Social Security		95,969	
State Retirement		99,041	
Medical Insurance		187,853	
Dental Insurance		7,659	
Unemployment Compensation		880	
Employer Medicare		22,444	
Contracts with Other School Systems		151,519	
Contracts with Private Agencies		139,315	
Instructional Supplies and Materials		24,432	
Other Charges		30,193	
Special Education Equipment		1,029	
Total Special Education Program			\$ 2,308,215

Vocational Education Program

Teachers	\$	723,692	
Career Ladder Program		12,000	
Career Ladder Extended Contracts		1,200	
Educational Assistants		531	
Certified Substitute Teachers		1,430	
Non-certified Substitute Teachers		2,706	
Social Security		45,977	
State Retirement		45,347	
Medical Insurance		106,484	
Dental Insurance		4,218	
Unemployment Compensation		360	
Employer Medicare		10,753	
Travel		413	
Instructional Supplies and Materials		15,566	
Total Vocational Education Program			970,677

Support Services

Attendance

Supervisor/Director	\$	59,001	
Career Ladder Program		2,000	
Career Ladder Extended Contracts		2,000	
Other Salaries & Wages		32,307	
Social Security		5,847	
State Retirement		7,985	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

Medical Insurance	\$	20,753	
Dental Insurance		828	
Unemployment Compensation		40	
Employer Medicare		1,367	
Travel		1,257	
Other Supplies and Materials		586	
In Service/Staff Development		633	
Attendance Equipment		57	
Total Attendance			\$ 134,661

Health Services

Medical Personnel	\$	138,719	
Social Security		8,601	
State Retirement		18,089	
Medical Insurance		28,133	
Dental Insurance		1,288	
Unemployment Compensation		80	
Employer Medicare		2,011	
Travel		6,539	
Other Contracted Services		2,026	
Drugs and Medical Supplies		5,092	
Other Supplies and Materials		8,148	
In Service/Staff Development		2,026	
Other Charges		406	
Total Health Services			221,158

Other Student Support

Career Ladder Program	\$	8,000	
Guidance Personnel		534,190	
Career Ladder Extended Contracts		3,150	
Social Workers		72,772	
Social Security		38,323	
State Retirement		40,514	
Medical Insurance		61,674	
Dental Insurance		2,806	
Unemployment Compensation		220	
Employer Medicare		8,963	
Evaluation and Testing		6,647	
Travel		3,296	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Other Supplies and Materials	\$	3,629	
In Service/Staff Development		258	
Total Other Student Support			\$ 784,442

Regular Instruction Program

Supervisor/Director	\$	176,693	
Career Ladder Program		12,115	
Career Ladder Extended Contracts		18,140	
Librarians		389,037	
Educational Assistants		66,414	
Other Salaries & Wages		165,583	
Social Security		51,335	
State Retirement		55,130	
Medical Insurance		100,478	
Dental Insurance		4,439	
Unemployment Compensation		400	
Employer Medicare		12,006	
Travel		9,659	
Library Books/Media		22,846	
Other Supplies and Materials		672	
In Service/Staff Development		8,198	
Other Charges		15	
Other Equipment		2,084	
Total Regular Instruction Program			1,095,244

Alternative Instruction Program

Supervisor/Director	\$	58,991	
Social Security		3,657	
State Retirement		3,616	
Medical Insurance		7,894	
Dental Insurance		276	
Unemployment Compensation		20	
Employer Medicare		855	
Maintenance & Repair Services - Equipment		650	
Total Alternative Instruction Program			75,959

Special Education Program

Supervisor/Director	\$	33,260	
Career Ladder Program		6,000	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Psychological Personnel	\$	110,106	
Assessment Personnel		139,753	
Clerical Personnel		22,851	
Speech Pathologist		52,822	
Other Salaries & Wages		50,183	
Social Security		25,865	
State Retirement		25,790	
Medical Insurance		31,402	
Dental Insurance		1,251	
Unemployment Compensation		220	
Employer Medicare		6,049	
Consultants		4,301	
Travel		5,786	
In Service/Staff Development		481	
Other Charges		1,553	
Total Special Education Program			\$ 517,673

Vocational Education Program

Supervisor/Director	\$	10,013	
Social Security		621	
State Retirement		428	
Medical Insurance		775	
Dental Insurance		23	
Employer Medicare		145	
Travel		511	
Total Vocational Education Program			12,516

Board of Education

Board and Committee Members Fees	\$	5,800	
Social Security		514	
State Retirement		324	
Medical Insurance		13,525	
Unemployment Compensation		180	
Employer Medicare		120	
Audit Services		22,000	
Dues and Memberships		11,103	
Legal Services		2,484	
Travel		9,966	
Other Contracted Services		1,350	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Other Supplies and Materials	\$	220	
Liability Insurance		27,050	
Premiums on Corporate Surety Bonds		2,081	
Trustee's Commission		173,357	
Workers' Compensation Insurance		145,565	
In Service/Staff Development		465	
Criminal Investigation of Applicants - TBI		1,200	
Other Charges		4,547	
Total Board of Education			\$ 421,851

Director of Schools

County Official/Administrative Officer	\$	104,010	
Career Ladder Program		1,000	
Secretary(ies)		64,382	
Other Salaries & Wages		619	
Social Security		9,824	
State Retirement		13,237	
Medical Insurance		4,666	
Dental Insurance		230	
Unemployment Compensation		80	
Employer Medicare		2,461	
Communication		25,689	
Dues and Memberships		314	
Postal Charges		3,348	
Travel		2,789	
Other Contracted Services		10,711	
Office Supplies		4,984	
Other Supplies and Materials		14,129	
In Service/Staff Development		1,091	
Other Charges		10,165	
Administration Equipment		5,509	
Total Director of Schools			279,238

Office of the Principal

Principals	\$	466,878	
Career Ladder Program		18,000	
Career Ladder Extended Contracts		22,065	
Assistant Principals		541,276	
Secretary(ies)		308,264	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Social Security	\$	84,102	
State Retirement		103,273	
Medical Insurance		112,103	
Dental Insurance		4,485	
Unemployment Compensation		740	
Employer Medicare		19,669	
Travel		548	
Administration Equipment		1,026	
Total Office of the Principal			\$ 1,682,429

Fiscal Services

Supervisor/Director	\$	59,126	
Accountants/Bookkeepers		40,199	
Clerical Personnel		58,224	
Social Security		9,768	
State Retirement		16,832	
Medical Insurance		1,439	
Unemployment Compensation		80	
Employer Medicare		2,284	
Data Processing Services		9,041	
Travel		1,853	
Other Contracted Services		1,000	
Data Processing Supplies		100	
Office Supplies		1,138	
Other Supplies and Materials		4,579	
In Service/Staff Development		2,301	
Other Charges		483	
Administration Equipment		18,291	
Total Fiscal Services			226,738

Human Services/Personnel

Supervisor/Director	\$	81,488
Social Security		5,052
State Retirement		5,549
Medical Insurance		8,346
Dental Insurance		524
Unemployment Compensation		40
Employer Medicare		1,182
Dues and Memberships		168

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Human Services/Personnel (Cont.)

Travel	\$	1,146	
Office Supplies		182	
Other Charges		505	
Other Equipment		977	
Total Human Services/Personnel			\$ 105,159

Operation of Plant

Supervisor/Director	\$	36,917	
Custodial Personnel		23,901	
Social Security		3,785	
State Retirement		5,333	
Medical Insurance		4,325	
Dental Insurance		248	
Unemployment Compensation		40	
Employer Medicare		885	
Janitorial Services		626,572	
Travel		476	
Disposal Fees		14,639	
Custodial Supplies		204	
Electricity		577,390	
Natural Gas		194,140	
Water and Sewer		75,808	
Boiler Insurance		6,659	
Building and Contents Insurance		121,308	
Plant Operation Equipment		595	
Total Operation of Plant			1,693,225

Maintenance of Plant

Career Ladder Extended Contracts	\$	500	
Secretary(ies)		10,368	
Maintenance Personnel		223,317	
Other Salaries & Wages		3,167	
In-Service Training		82	
Social Security		14,839	
State Retirement		25,828	
Medical Insurance		24,022	
Dental Insurance		1,057	
Unemployment Compensation		200	
Employer Medicare		3,470	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Communication	\$	449	
Laundry Service		3,407	
Maintenance & Repair Services - Buildings		35,726	
Maintenance & Repair Services - Equipment		50,042	
Maintenance & Repair Services - Vehicles		45	
Travel		1,491	
Other Contracted Services		7,996	
Equipment and Machinery Parts		805	
Other Supplies and Materials		102,197	
In Service/Staff Development		1,017	
Other Charges		6,868	
Administration Equipment		256	
Maintenance Equipment		46,246	
Total Maintenance of Plant			\$ 563,395

Transportation

Supervisor/Director	\$	36,917
Career Ladder Extended Contracts		500
Mechanic(s)		149,700
Bus Drivers		457,621
Clerical Personnel		10,368
Other Salaries & Wages		4,155
In-Service Training		6,218
Social Security		41,387
State Retirement		71,503
Medical Insurance		27,644
Dental Insurance		1,403
Unemployment Compensation		1,580
Employer Medicare		9,679
Communication		449
Laundry Service		2,946
Maintenance & Repair Services - Vehicles		35,866
Medical and Dental Services		5,007
Travel		749
Diesel Fuel		212,121
Equipment and Machinery Parts		9,800
Garage Supplies		5,276
Gasoline		31,384
Lubricants		5,432

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Tires and Tubes	\$	13,349	
Vehicle Parts		53,837	
Other Supplies and Materials		33,347	
Vehicle and Equipment Insurance		37,453	
In Service/Staff Development		190	
Other Charges		11,123	
Transportation Equipment		349,870	
Total Transportation			\$ 1,626,874

Central and Other

Supervisor/Director	\$	42,041	
Computer Programmer(s)		58,416	
Social Security		6,228	
State Retirement		9,762	
Medical Insurance		8,562	
Dental Insurance		460	
Unemployment Compensation		60	
Employer Medicare		1,457	
Data Processing Services		1,980	
Travel		3,797	
Data Processing Supplies		742	
Office Supplies		150	
Other Supplies and Materials		55,536	
In Service/Staff Development		634	
Other Charges		155	
Administration Equipment		1,200	
Data Processing Equipment		2,577	
Total Central and Other			193,757

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	55,020	
Career Ladder Program		1,000	
Social Security		3,473	
State Retirement		2,442	
Medical Insurance		4,666	
Dental Insurance		230	
Unemployment Compensation		20	
Employer Medicare		812	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Payments to Schools - Breakfast	\$	448,645	
Payments to Schools - Lunch		1,092,833	
Payments to Schools - Other USDA		7,308	
Travel		3,042	
Other Supplies and Materials		2,379	
In Service/Staff Development		85	
Food Service Equipment		1,078	
Total Food Service			\$ 1,623,033

Community Services

Supervisor/Director	\$	32,309	
Social Security		2,003	
State Retirement		4,213	
Medical Insurance		4,688	
Dental Insurance		230	
Unemployment Compensation		20	
Employer Medicare		468	
Travel		705	
Other Supplies and Materials		2,851	
Other Charges		50	
Total Community Services			47,537

Early Childhood Education

Supervisor/Director	\$	24,292
Teachers		250,927
Educational Assistants		83,948
Other Salaries & Wages		8,613
Certified Substitute Teachers		1,430
Non-certified Substitute Teachers		2,596
Social Security		23,052
State Retirement		28,276
Medical Insurance		47,464
Dental Insurance		1,892
Unemployment Compensation		170
Employer Medicare		5,391
Travel		23,060
Instructional Supplies and Materials		85,357
Other Supplies and Materials		9,902
In Service/Staff Development		761

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

Other Charges	\$ 238	
Other Equipment	47,949	
Total Early Childhood Education		\$ 645,318

Capital Outlay

Regular Capital Outlay

Building Improvements	\$ 149,922	
Land	68,817	
Site Development	5,150	
Other Capital Outlay	11,567	
Total Regular Capital Outlay		235,456

Other Debt Service

Education

Contributions	\$ 727,443	
Total Education		727,443

Total General Purpose School Fund \$ 30,120,004

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 602,204	
Educational Assistants	62,316	
Other Salaries & Wages	303,887	
Certified Substitute Teachers	2,766	
Non-certified Substitute Teachers	4,692	
Social Security	61,838	
State Retirement	61,049	
Medical Insurance	111,937	
Dental Insurance	4,278	
Employer Medicare	12,785	
Travel	6,613	
Other Contracted Services	27,788	
Instructional Supplies and Materials	199,018	
Regular Instruction Equipment	19,627	
Total Regular Instruction Program		\$ 1,480,798

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program

Educational Assistants	\$	637,843	
Social Security		39,741	
State Retirement		78,459	
Medical Insurance		1,230	
Employer Medicare		9,285	
Contracts with Private Agencies		11,833	
Instructional Supplies and Materials		81,224	
Total Special Education Program			\$ 859,615

Vocational Education Program

Educational Assistants	\$	12,750	
Social Security		791	
State Retirement		1,524	
Employer Medicare		185	
Travel		4,081	
Instructional Supplies and Materials		17,550	
Other Charges		238	
Vocational Instruction Equipment		44,275	
Total Vocational Education Program			81,394

Support Services

Other Student Support

Other Salaries & Wages	\$	43,492	
Social Security		2,697	
State Retirement		5,884	
Medical Insurance		10,231	
Dental Insurance		460	
Employer Medicare		631	
Travel		8,294	
Other Contracted Services		1,341	
In Service/Staff Development		6,178	
Other Charges		9,750	
Total Other Student Support			88,958

Regular Instruction Program

Supervisor/Director	\$	91,852	
Other Salaries & Wages		22,852	
Social Security		7,136	
State Retirement		8,534	

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Medical Insurance	\$	9,404	
Dental Insurance		230	
Employer Medicare		1,669	
Consultants		1,724	
Postal Charges		398	
Travel		5,306	
Other Contracted Services		959	
Instructional Supplies and Materials		534	
Other Supplies and Materials		7,326	
In Service/Staff Development		74,367	
Other Charges		188	
Other Equipment		2,317	
Total Regular Instruction Program			\$ 234,796

Special Education Program

Other Salaries & Wages	\$	129,709	
Social Security		7,891	
State Retirement		17,293	
Medical Insurance		5,987	
Dental Insurance		218	
Employer Medicare		1,845	
Consultants		6,240	
Maintenance & Repair Services - Equipment		986	
Travel		11,451	
In Service/Staff Development		7,710	
Total Special Education Program			189,330

Vocational Education Program

Travel	\$	2,600	
In Service/Staff Development		50	
Total Vocational Education Program			2,650

Total School Federal Projects Fund \$ 2,937,541

Total Governmental Funds - Hardeman County School Department \$ 33,057,545

Exhibit K-9

Hardeman County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2007

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	<u>\$ 1,234,455</u>
Total Cash Receipts	<u>\$ 1,234,455</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,222,110
Trustee's Commission	<u>12,345</u>
Total Cash Disbursements	<u>\$ 1,234,455</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2006	<u>0</u>
Cash Balance, June 30, 2007	<u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



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

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

October 3, 2007

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardeman County, Tennessee, as of and for the year ended June 30, 2007, which collectively comprise Hardeman County's basic financial statements and have issued our report thereon dated October 3, 2007. Our report on the aggregate discretely presented component units financial statements was qualified due to not including the financial statements of the Hardeman County Emergency Communications District, a discretely presented component unit, which were not available by other auditors as of the date of this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hardeman County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing

an opinion on the effectiveness of Hardeman County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hardeman County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 07.01, 07.03, 07.04, 07.05, and 07.06.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Hardeman County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be significant weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hardeman County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and is described in the accompanying Schedule of Findings and Questioned Costs as item 07.02.

We consider item 07.07 described in the accompanying Schedule of Findings and Questioned Costs to be a noteworthy control deficiency over financial operations. We also noted certain matters that we reported to management of Hardeman County in separate communications.

Hardeman County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Hardeman County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the county mayor, director of schools, highway superintendent, County Commission, Board of Education, others within Hardeman County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/sb



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

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

October 3, 2007

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Hardeman County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Hardeman County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Hardeman County's management. Our responsibility is to express an opinion on Hardeman County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hardeman County's compliance with those requirements and

performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Hardeman County's compliance with those requirements.

In our opinion, Hardeman County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Hardeman County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Hardeman County's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hardeman County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardeman County, Tennessee, as of and for the year ended June 30, 2007, and have issued our report thereon dated October 3, 2007. Our report on the aggregate discretely presented component units' financial statements was qualified due to not including the financial statements of the Hardeman County Emergency Communications District, a discretely presented component unit, which was not available

from other auditors as of the date of this report. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Hardeman County's basic financial statements. 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.

Hardeman County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Hardeman County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the county mayor, director of schools, highway superintendent, County Commission, Board of Education, others within Hardeman County, 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.

Yours very truly,

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

John G. Morgan
Comptroller of the Treasury

JGM/sb

Hardeman County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2007

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	\$ 72,602
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	448,454
National School Lunch Program	10.555	N/A	1,092,833
USDA Other	10.556	N/A	7,499
Total U.S. Department of Agriculture			<u>\$ 1,621,388</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Housing Development Agency:			
HOME Investment Partnership Program	14.239	(2)	\$ 13,659
Total U.S. Department of Housing and Urban Development			<u>\$ 13,659</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Z06002601	\$ 9,495
Total U.S. Department of Justice			<u>\$ 9,495</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Airport Safety Improvement Grant	20.106	(3)	\$ 281,756
Total U.S. Department of Transportation			<u>\$ 281,756</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 1,128,133
Vocational Program Improvements	84.010	N/A	22,915
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	1,091,620
Special Education - Preschool Grants	84.173	N/A	48,646
Vocational Education - Basic Grants to States	84.048	N/A	99,303
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	30,497
State Grants for Innovative Programs	84.298	N/A	10,353
Education Technology State Grants	84.318	(2)	10,070
Rural Education	84.358	(2)	171,697
Gaining Early Awareness and Reading for Undergraduate Programs	84.334	N/A	175,911
Improving Teacher Quality State Grants	84.367	N/A	268,634
Hurricane Education Recovery	84.938	(2)	7,217
Total U.S. Department of Education			<u>\$ 3,064,996</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Health:			
Preventive Health and Health Services Block Grant	93.991	Z07031555	\$ 210,673
Total U.S. Department of Health and Human Services			<u>\$ 210,673</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	(4)	\$ 59,455
Public Assistance Grants	97.036	FEMA 1464 TN DR	3,529
Total U.S. Department of Homeland Security			<u>\$ 62,984</u>
Total Expenditures of Federal Awards			<u>\$ 5,264,951</u>
State Grants:			
Airport Maintenance Program - State Department of Transportation	N/A	(5)	\$ 1,731
Litter Program - State Department of Transportation	N/A	Z07033803	33,487
Reappraisal Program - Comptroller of the Treasury	N/A	(2)	12,609
Solid Waste Grant - State Department of Environment and Conservation	N/A	(2)	12,901
Vote Wise Training Grant - Tennessee Department of State	N/A	(2)	14,790
Total State Grants			<u>\$ 75,518</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) Z03014253: \$118,014; Z06029458: \$49,500; Z07037552: \$55,000; Z07037566: \$59,242.
- (4) Z05023164: \$56,685; Z05025164: \$2,770.
- (5) Z06028697: \$563; Z07035572: \$1,168.

Hardeman County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2007

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Hardeman County, Tennessee, and the Hardeman County School Department for the year ended June 30, 2006, which have not been corrected.

OFFICE OF COUNTY MAYOR

Finding Number	Page Number	Subject
06.05	164	The Solid Waste Disposal Fund had a deficit in unrestricted net assets
06.07	165	Purchase orders were not issued for purchases under \$5,000

OTHER FINDING

Finding Number	Page Number	Subject
06.10	166	A central system of accounting and budgeting had not been adopted

HARDEMAN COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2007

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Hardeman County disclosed significant deficiencies 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 Hardeman County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program, the National School Lunch Program, and USDA Other (CFDA Nos. 10.553, 10.555, and 10.556); the Title I Grants to Local Educational Agencies (CFDA No. 84.010); 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 \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Hardeman County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

OFFICE OF COUNTY MAYOR

FINDING 07.01 **THE SOLID WASTE DISPOSAL FUND HAD A DEFICIT IN UNRESTRICTED NET ASSETS**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The Solid Waste Disposal Fund had a deficit of \$2,181,290 in unrestricted net assets at June 30, 2007. This deficit primarily resulted from the recognition of a liability (\$2,285,972) for costs associated with closing the county's landfill and monitoring the landfill for 30 years after closure. Generally accepted accounting principles and state statutes require that such costs be reflected in the financial statements.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY MAYOR

The county realizes that there is no plan in place to fund the unrestricted net assets of \$2,181,290. We will continue to look at this and seek ways to cover the liability resulting from cost associated with closing of the landfill and monitoring for 30 years. No plan has been implemented at this time.

FINDING 07.02 **EXPENDITURES EXCEEDED APPROPRIATIONS**
(Noncompliance Under Government Auditing Standards)

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

<u>Major Category</u>	<u>Amount Overspent</u>
Other General Administration	\$ 1,557
Workhouse	2,381
Airport	128,316

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

RECOMMENDATION

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

MANAGEMENT’S RESPONSE – COUNTY MAYOR

We will monitor the budget more closely to ensure that expenditures are held within appropriations approved by the County Commission.

FINDING 07.03 **PURCHASE ORDERS WERE NOT ISSUED FOR PURCHASES UNDER \$5,000**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

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

RECOMMENDATION

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

MANAGEMENT’S RESPONSE – COUNTY MAYOR

The Office of County Mayor will work with each county office and emphasize the importance of getting a purchase order before making purchases over \$300 and under \$5,000.

OFFICE OF SHERIFF

FINDING 07.04 **THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACK-UP PROCEDURES**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The following weaknesses regarding computer system back-up procedures in the office were identified:

- A. System back-ups were not stored off-site. In the event of a disaster, all back-up data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process.
- B. A back-up log was not maintained. If system back-ups are not labeled and inventoried systematically, discrepancies may occur and affect the integrity of system back-ups in the event of a hardware or software failure.

RECOMMENDATION

Weekly back-ups should be rotated off-site on a weekly basis. Year-end back-ups should be stored off-site and retained indefinitely. Some possibilities for an off-site storage location would be another county office building with a fireproof vault or a safe deposit box at a local bank. Furthermore, a current log of all back-ups that includes label descriptions, date of creation, contents, and storage location should be maintained.

FINDING 07.05 **THE OFFICE DID NOT IMPLEMENT ADEQUATE CONTROLS TO PROTECT ITS INFORMATION RESOURCES**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The office did not implement adequate controls to protect its information resources. This finding does not identify specific vulnerabilities that could allow someone to exploit the office's information system or misuse county funds. Disclosing those vulnerabilities could present a potential security risk by providing the readers with information that might be confidential pursuant to Section 10-7-504(i), Tennessee Code Annotated. We provided the official with detailed information regarding the specific vulnerabilities we identified, as well as our recommendations for improvement.

RECOMMENDATION

The office should ensure that adequate controls over information systems and the resources associated with those systems are implemented.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 07.06 **THE WRITE-OFF POLICY FOR UNCOLLECTIBLE ACCOUNTS OF THE AMBULANCE SERVICE GIVES SOLE AUTHORITY TO ONE INDIVIDUAL WITHOUT OVERSIGHT BY MANAGEMENT**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The Ambulance Service has a policy that gives the director full authority to write-off any accounts receivable that is more than two years old. This policy is an internal control weakness because it gives sole authority for the write-off of uncollectible accounts to one individual with no oversight from management. Our examination of the accounts receivable listing revealed that approximately one-half of the accounts receivable were over two years old.

RECOMMENDATION

County officials should consider implementing a write-off policy for uncollectible accounts that provides for board approval.

FINDING 07.07 **A CENTRAL SYSTEM OF ACCOUNTING AND BUDGETING HAD NOT BEEN ADOPTED**
(Internal Control – Control Deficiency Under Government Auditing Standards)

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

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY MAYOR

I will start discussions with other county officials this fiscal year to consider the adoption of the County Financial Management System of 1981 or some system that will provide for a central system of accounting and budgeting for the county.

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

There were no findings and questioned costs for federal awards.

**HARDEMAN COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2007**

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