
ANNUAL FINANCIAL REPORT HARDIN COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2008



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**ANNUAL FINANCIAL REPORT
HARDIN COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2008**

***DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury***

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

***JAMES R. ARNETTE
Director***

***NORM R. NORMENT, CGFM
Audit Manager***

***HORACE B. WISEMAN, CGFM
Auditor 4***

***LEE ANN WEST, CPA, CGFM
ELISHA CROWELL, CFE
State Auditors***

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

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Audit Highlights
Annual Financial Report
Hardin County, Tennessee
For the Year Ended June 30, 2008

Scope

We have audited the basic financial statements of Hardin County as of and for the year ended June 30, 2008.

Results

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

Our audit resulted in 11 findings and recommendations, which we have reviewed with Hardin County management. Detailed findings, recommendations, and managements' responses are included in the Single Audit section of this report.

Findings

The following are summaries of the audit findings:

HARDIN COUNTY AND HARDIN COUNTY SCHOOL DEPARTMENT

- ◆ Material audit adjustments were required for proper financial statement presentation in the General, Highway/Public Works, and General Purpose School funds.

OFFICE OF HIGHWAY COMMISSIONER

- ◆ The Highway Department failed to comply with state statutes when entering into a lease-purchase agreement.

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ The School Federal Projects Fund had a cash overdraft of \$176,661 at June 30, 2008.
- ◆ The School Department failed to comply with state statutes when entering into lease-purchase agreements.

- ◆ Expenditures and encumbrances exceeded appropriations approved by the County Commission at the major appropriation category level of control (the legal level of control) in the General Purpose School Fund. Also, in numerous instances, General Purpose School and School Federal Project funds' salaries exceeded line-item appropriations approved by the Board of Education.
 - ◆ Competitive bids were not solicited for the purchase of a boiler (\$25,214) as required by state statute.
-

OFFICE OF COUNTY CLERK

- ◆ The office did not implement adequate controls to protect its information resources.
-

OFFICE OF CIRCUIT COURT CLERK

- ◆ System backups were not stored off-site until several months into the fiscal year.
-

OFFICES OF COUNTY CLERK AND CIRCUIT COURT CLERK

- ◆ The county clerk and the circuit court clerk did not review their software audit logs.
-

OTHER FINDINGS

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

INTRODUCTORY SECTION

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Hardin County Officials

June 30, 2008

Officials

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

Board of County Commissioners

Kevin Davis, Chairman	Tom Haggard
Gary Combs	Wally Hamilton
James Berry, Jr.	Charles Howard
Ernie Bigbie	Roger Jenkins
Gene Bryant	Mike Jerrols
Nickie Cagle	Fred McFalls, Jr.
David Childers	Kathy Smith
Adam Coleman	Stacey Stricklin
Mike Fowler	Emery White
Jimmy Grisham	James Whitehorn, Sr.
Tracey Grisham	

Budget Committee

James Berry
Gene Bryant
Nickie Cagle
Adam Coleman
Gary Combs
David Childers
Tracey Grisham
Kathy Smith
Stacey Stricklin
Emery White

Board of Education

Mike Pitts, Chairman
James David Baker
Evelyn Sue Bromley
David Burgess
Jeanelle Dennis
David Long
Janie Milender
Thomas Neill
Olga Turnbow
Ramona Wilkerson

Highway Commission

Kevin Davis, Secretary	Carter Horton
Hugh Gresham	Dennis Johnson
Billy Grooms	

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FINANCIAL SECTION

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**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841**

INDEPENDENT AUDITOR'S REPORT

January 5, 2009

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise Hardin County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hardin County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Park Rest Hardin County Health Center (the entire business-type activities and a major fund). Nor did we audit the financial statements of the discretely presented Hardin Medical Center (which represent 53.6 percent and 47.5 percent, respectively, of the assets and revenues of the aggregate discretely presented component units), the discretely presented Hardin County Emergency Communications District (which represent 1.2 percent and .4 percent, respectively, of the assets and revenues of the aggregate discretely presented component units), and the discretely presented Hardin County Convention and Visitors Bureau (which represent .2 percent and .4 percent, respectively, of the assets and revenues of the aggregate discretely presented component units). These financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Park Rest Hardin County Health Center, Hardin Medical Center, Hardin County Emergency Communications District, and Hardin County Convention and Visitors Bureau is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, Tennessee, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 5, 2009, on our consideration of Hardin County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note V.B., Hardin County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures.

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

The budgetary comparison, pension, and postemployment benefits information on pages 101 through 109 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 Hardin County's basic financial statements. The introductory section; combining and individual nonmajor fund financial statements; budgetary comparison schedules of nonmajor governmental funds, the General Debt Service Fund, and the Rural Debt Service Fund; combining and individual fund financial statements of the Hardin County School Department (a discretely presented component unit); and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements; budgetary comparison schedules of nonmajor governmental funds, the General Debt Service Fund, and the Rural Debt Service Fund; combining and individual fund financial statements of the Hardin County School Department (a discretely presented component unit); and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/yu

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BASIC FINANCIAL STATEMENTS

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Exhibit A

Hardin County, Tennessee
Statement of Net Assets
June 30, 2008

	Primary Government				Component Units				
	Governmental Activities	Business- type Activities	Total		Hardin	Hardin	Emergency	Hardin	Hardin
					School Department	Medical Center	Communications District	County Convention and Visitors Bureau	
ASSETS									
Cash	\$ 87,249	\$ 155,310	\$ 242,559	\$	0	\$ 3,669,774	\$ 459,537	\$	200
Equity in Pooled Cash and Investments	9,850,219	0	9,850,219		2,493,527	0	0	0	0
Inventories	0	5,202	5,202		0	1,486,220	0	0	0
Investments	1,815,000	0	1,815,000		0	0	17,492	0	0
Accounts Receivable	153,435	299,281	452,716		19,763	8,572,803	21,089	92,278	0
Due from Other Governments	801,517	0	801,517		1,992,676	0	0	0	0
Due from Component Units	131,521	0	131,521		0	0	0	0	0
Property Taxes Receivable	4,210,564	0	4,210,564		5,253,289	0	0	0	0
Allowance for Uncollectible Property Taxes	(199,905)	0	(199,905)		(249,410)	0	0	0	0
Prepaid Items	0	24,805	24,805		0	55,906	0	0	0
Accrued Interest Receivable	40,652	0	40,652		0	0	0	0	0
Other Current Assets	0	0	0		0	1,117,812	0	0	0
Restricted Assets:									
Education Assistance Loans	0	0	0		0	85,663	0	0	0
Patient Trust	0	414	414		0	6,343	0	0	0
Utility Deposits	0	0	0		0	30	0	0	0
Deferred Charges - Debt Issuance Cost	262,871	0	262,871		0	0	0	0	0
Capital Assets:									
Assets Not Depreciated:									
Land	1,850,254	26,700	1,876,954		904,172	64,500	0	0	0
Assets Net of Accumulated Depreciation:									
Land Improvements	0	0	0		0	74,585	0	0	0
Buildings and Improvements	11,897,508	480,705	12,378,213		12,960,749	9,262,377	33,010	0	0
Infrastructure	15,193,006	0	15,193,006		0	0	0	0	0
Other Capital Assets	2,159,629	41,952	2,201,581		718,557	4,328,883	112,515	0	0
Total Assets	\$ 48,253,520	\$ 1,034,369	\$ 49,287,889		\$ 24,093,323	\$ 28,724,896	\$ 643,643	\$ 92,478	0

(Continued)

Exhibit A

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

	Primary Government		Component Units				
	Governmental Activities	Business-type Activities	Total	Hardin County School Department	Hardin Medical Center	Emergency Communications District	Hardin County Convention and Visitors Bureau
LIABILITIES							
Accounts Payable	\$ 54,211	\$ 32,658	\$ 86,869	\$ 66,208	\$ 679,562	\$ 0	\$ 14,526
Accrued Management Fee	0	941,742	941,742	0	0	0	0
Other Accrued Expenses	0	202,060	202,060	0	253,199	202	0
Accrued Payroll	80,314	0	80,314	6,873	557,410	0	0
Payroll Deductions Payable	6,006	0	6,006	192,688	0	0	0
Cash Overdraft	0	0	0	176,661	0	0	0
Contracts Payable	177,635	0	177,635	0	0	0	0
Retainage Payable	19,737	0	19,737	0	0	0	0
Accrued Interest Payable	63,066	0	63,066	0	0	0	0
Due to Primary Government	0	0	0	131,521	0	0	0
Current Liabilities Payable from Restricted Assets:							
Patient Trust	0	414	414	0	6,343	0	0
Deferred Revenue - Current Property Taxes	3,809,398	0	3,809,398	4,752,777	0	0	0
County Drug Court Fees	8,797	0	8,797	0	0	0	0
Noncurrent Liabilities:							
Due Within One Year	1,995,322	0	1,995,322	95,336	822,886	0	0
Due in More Than One Year	16,533,804	0	16,533,804	1,067,138	7,850,551	0	0
Total Liabilities	\$ 22,748,290	\$ 1,176,874	\$ 23,925,164	\$ 6,489,202	\$ 10,169,951	\$ 202	\$ 14,526
Invested in Capital Assets, Net of Related Debt	\$ 18,617,638	\$ 0	\$ 18,617,638	\$ 14,565,498	\$ 5,466,840	\$ 0	\$ 0
Invested in Capital Assets Restricted for:							
Highway/Public Works	518,119	0	518,119	0	0	145,525	0
Solid Waste/Sanitation	445,864	0	445,864	0	0	0	0
Jail Construction	750,877	0	750,877	0	0	0	0
Resort District	60,876	0	60,876	0	0	0	0
Debt Service	4,923,639	0	4,923,639	0	0	0	0
Capital Projects	68,147	0	68,147	0	0	0	0

(Continued)

Exhibit A

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

	Primary Government		Component Units				
	Governmental Activities	Business-type Activities	Total	Hardin County School Department	Hardin Medical Center	Emergency Communications District	Hardin County Convention and Visitors Bureau
NET ASSETS (Cont.)							
Restricted for: (Cont.)							
Food Service	\$ 0	\$ 0	0	\$ 812,529	\$ 0	0	0
School Federal Projects	0	0	0	296,508	0	0	0
Career Ladder	0	0	0	26,930	0	0	0
Career Ladder - Extended Contract	0	0	0	24,063	0	0	0
Other Local Education	0	0	0	36,400	0	0	0
Capital Outlay	0	0	0	600,000	0	0	0
Certain Expendable Activities	0	0	0	0	100,000	0	0
Other Purposes	284,000	0	284,000	0	0	0	0
Unrestricted	(163,930)	(691,862)	(855,792)	1,242,193	12,988,105	497,916	77,952
Total Net Assets	\$ 25,505,230	\$ (142,505)	\$ 25,362,725	\$ 17,604,121	\$ 18,554,945	\$ 643,441	\$ 77,952

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

Exhibit B

Hardin County, Tennessee
Statement of Activities
For the Year Ended June 30, 2008

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets									
	Program Revenues					Component Units				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Business-type Activities	Total Governmental Activities	Hardin County School Department	Hardin Medical Center	Emergency Communications District	Hardin County Convention and Visitors Bureau
Primary Government:										
Governmental Activities:										
General Government	\$ 846,001	\$ 300,681	\$ 18,153	\$ 44,982	\$ (482,185)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	876,035	685,220	15,093	0	(175,722)	0	0	0	0	0
Administration of Justice	716,229	540,003	31,621	0	(144,605)	0	0	0	0	0
Public Safety	5,180,278	76,856	116,431	411,316	(4,575,675)	0	0	0	0	0
Public Health and Welfare	1,651,554	246,010	150,415	0	(1,255,129)	0	0	0	0	0
Social, Cultural, and Recreational Services	432,068	59,800	27,378	0	(344,890)	0	0	0	0	0
Agriculture and Natural Resources	90,439	89,937	0	0	(502)	0	0	0	0	0
Other Operations	594,464	1,200	0	0	(593,264)	0	0	0	0	0
Highways/Public Works	3,582,298	0	1,884,991	509,131	(1,188,176)	0	0	0	0	0
Education	600,000	0	0	0	(600,000)	0	0	0	0	0
Interest on Long-term Debt	867,973	0	1,818,343	0	950,370	0	0	0	0	0
Other Debt Service	98,833	0	0	0	(98,833)	0	0	0	0	0
Total Governmental Activities	\$ 15,536,172	\$ 1,999,707	\$ 4,062,425	\$ 965,429	\$ (8,508,611)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Business-type Activities:										
Park Rest Hardin County Health Center	\$ 2,609,381	\$ 2,436,445	\$ 0	\$ 0	\$ (172,936)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Business-type Activities	\$ 2,609,381	\$ 2,436,445	\$ 0	\$ 0	\$ (172,936)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Primary Government	\$ 18,145,553	\$ 4,436,152	\$ 4,062,425	\$ 965,429	\$ (8,508,611)	\$ (172,936)	\$ 0	\$ 0	\$ 0	\$ 0
Component Units:										
School Department	\$ 31,381,809	\$ 823,049	\$ 4,182,735	\$ 600,000	\$ 0	\$ 0	\$ (25,776,025)	\$ 0	\$ 0	\$ 0
Hardin Medical Center	28,531,440	28,518,737	157,527	0	0	0	0	144,824	0	0
Emergency Communications District	197,838	176,960	0	0	0	0	0	0	(20,878)	0
Hardin County Convention and Visitors Bureau	232,009	2,420	0	0	0	0	0	0	0	(229,589)
Total Component Units	\$ 60,343,096	\$ 29,521,166	\$ 4,340,262	\$ 600,000	\$ 0	\$ 0	\$ (25,776,025)	\$ 144,824	\$ (20,878)	\$ (229,589)

(Continued)

Exhibit B

Hardin County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Units				
					Total Governmental Activities	Primary Government Business-type Activities	Total	Hardin County School Department	Hardin Medical Center
General Revenues:									
Taxes:									
Property Taxes Levied for General Purposes		\$ 4,154,047	\$ 0	\$ 0	\$ 4,154,047	\$ 5,422,615	\$ 0	\$ 0	\$ 0
Property Taxes Levied for Debt Service		193,698	0	0	193,698	0	0	0	0
Local Option Sales Taxes		998,672	0	0	998,672	3,609,958	0	0	0
Wheel Taxes		1,100,545	0	0	1,100,545	0	0	0	0
Wholesale Beer Tax		400,279	0	0	400,279	0	0	0	0
Hotel Motel Tax		216,946	0	0	216,946	0	0	0	210,074
Litigation Tax		150,439	0	0	150,439	0	0	0	0
Business Tax		109,916	0	0	109,916	0	0	0	0
Other Local Taxes		90,000	0	0	90,000	4,029	0	0	21,042
Grants and Contributions Not Restricted to Specific Programs		825,473	0	0	825,473	16,956,066	199,300	86,169	2,500
Unrestricted Investment Earnings		529,360	338	0	529,698	0	187,054	6,391	0
Miscellaneous		144,561	630	0	145,191	52,496	0	0	0
Total General Revenues		\$ 8,913,936	\$ 968	\$ 8,914,904	\$ 26,045,164	\$ 386,354	\$ 92,560	\$ 233,616	
Change in Net Assets		\$ 405,325	\$ (171,968)	\$ 233,357	\$ 269,139	\$ 531,178	\$ 71,682	\$ 4,027	
Net Assets, July 1, 2007		25,099,905	29,463	25,129,368	17,326,604	18,023,767	571,759	73,925	
Prior-period Adjustment		0	0	0	8,378	0	0	0	
Net Assets, June 30, 2008		\$ 25,505,230	\$ (142,505)	\$ 25,362,725	\$ 17,604,121	\$ 18,554,945	\$ 643,441	\$ 77,952	

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

Hardin County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2008

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway/ Public Works	General Debt Service	Rural Debt Service	General Capital Projects	Other Governmental Funds	
<u>ASSETS</u>							
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 86,893	\$ 356	\$ 87,249
Equity in Pooled Cash and Investments	4,418,243	181,978	2,251,831	2,467,901	275,509	254,757	9,850,219
Investments	0	0	0	0	1,815,000	0	1,815,000
Accounts Receivable	25,458	16,491	2,213	0	0	109,273	153,435
Due from Other Governments	264,344	317,723	0	75,425	0	144,025	801,517
Due from Other Funds	356	0	0	0	0	0	356
Due from Component Units	0	0	0	131,521	0	0	131,521
Property Taxes Receivable	3,689,203	334,351	187,010	0	0	0	4,210,564
Allowance for Uncollectible Property Taxes	(175,152)	(15,874)	(8,879)	0	0	0	(199,905)
Accrued Interest Receivable	40,652	0	0	0	0	0	40,652
Total Assets	\$ 8,263,104	\$ 834,669	\$ 2,432,175	\$ 2,674,847	\$ 2,177,402	\$ 508,411	\$ 16,890,608
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Accounts Payable	\$ 44,221	\$ 0	\$ 0	\$ 0	\$ 9,990	\$ 0	\$ 54,211
Accrued Payroll	68,648	0	0	0	0	11,666	80,314
Payroll Deductions Payable	5,155	0	0	0	0	851	6,006
Contracts Payable	0	0	0	0	177,635	0	177,635
Retainage Payable	0	0	0	0	19,737	0	19,737
Due to Other Funds	0	0	0	0	0	356	356
Due to State of Tennessee	8,797	0	0	0	0	0	8,797
Deferred Revenue - Current Property Taxes	3,337,710	302,496	169,192	0	0	0	3,809,398
Deferred Revenue - Delinquent Property Taxes	161,184	14,607	8,171	0	0	0	183,962
Other Deferred Revenues	160,737	155,336	0	39,084	0	103,502	458,659
Total Liabilities	\$ 3,786,452	\$ 472,439	\$ 177,363	\$ 39,084	\$ 207,362	\$ 116,375	\$ 4,799,075
<u>Fund Balances</u>							
Reserved for Encumbrances	\$ 329,759	\$ 0	\$ 0	\$ 0	\$ 66,015	\$ 7,894	\$ 403,668
Reserved for Resort District	60,876	0	0	0	0	0	60,876
Reserved for Purchase of Electronic Fingerprint Imaging System	0	0	0	0	0	5,000	5,000

(Continued)

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

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Highway/ Public Works	General Debt Service	Rural Debt Service	General Capital Projects	Other Governmental Funds	Governmental Funds	
LIABILITIES AND FUND BALANCES (Cont.)								
Fund Balances (Cont.)								
Reserved for Alcohol and Drug Treatment	\$ 112,673	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 112,673
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	65,150	0	0	0	0	0	0	65,150
Reserved for Sexual Offender Registration	2,620	0	0	0	0	0	0	2,620
Reserved for Courtroom Security	480	0	0	0	0	0	0	480
Reserved for Computer System - Register	1,742	0	0	0	0	0	0	1,742
Reserved for Automation Purposes - Circuit Court	1,792	0	0	0	0	0	0	1,792
Reserved for Automation Purposes - General Sessions Court	11,651	0	0	0	0	0	0	11,651
Reserved for Automation Purposes - Chancery Court	9,209	0	0	0	0	0	0	9,209
Reserved for Automation Purposes - Sheriff	29,009	0	0	0	0	0	0	29,009
Reserved for Capital Outlay	0	24,259	0	0	0	0	0	24,259
Reserved for Other General Purposes	750,877	0	0	0	0	0	0	750,877
Unreserved, Reported In:								
General Fund	3,100,814	0	0	0	0	0	0	3,100,814
Special Revenue Funds	0	337,971	0	0	0	0	379,142	717,113
Debt Service Funds	0	0	2,254,812	2,635,763	0	0	0	4,890,575
Capital Projects Funds	0	0	0	0	1,904,025	0	0	1,904,025
Total Fund Balances	\$ 4,476,652	\$ 362,230	\$ 2,254,812	\$ 2,635,763	\$ 1,970,040	\$ 392,036	\$ 12,091,533	
Total Liabilities and Fund Balances	\$ 8,263,104	\$ 834,669	\$ 2,432,175	\$ 2,674,847	\$ 2,177,402	\$ 508,411	\$ 16,890,608	

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

Exhibit C-2

Hardin County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2008

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)		\$ 12,091,533
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 1,850,254	
Add: buildings and improvements net of accumulated depreciation	11,897,508	
Add: infrastructure net of accumulated depreciation	15,193,006	
Add: other capital assets net of accumulated depreciation	<u>2,159,629</u>	31,100,397
(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	\$ (314,453)	
Less: capital leases payable	(1,196,859)	
Less: bonds payable	(16,625,000)	
Add: deferred amount on refunding	43,411	
Add: deferred charges - debt issuance costs	262,871	
Add: other deferred revenue - discount on debt	2,305	
Less: compensated absences payable	(104,230)	
Less: landfill closure/postclosure care costs	(292,457)	
Less: other postemployment benefits	(19,803)	
Less: accrued interest on bonds, notes, and capital leases	(63,066)	
Less: other deferred revenue - premium on debt	<u>(22,040)</u>	(18,329,321)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		
		<u>642,621</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 25,505,230</u>

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

Exhibit C-3

Hardin County, Tennessee
Statement of Revenues, Expenditures,
 and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Highway/ Public Works	General Debt Service	Rural Debt Service	General Capital Projects	Other Governmental Funds	Governmental Funds	
<u>Revenues</u>								
Local Taxes	\$ 5,275,380	\$ 544,412	\$ 194,400	\$ 551,810	\$ 0	\$ 935,193	\$ 7,501,195	
Licenses and Permits	80,736	0	0	0	0	0	80,736	
Fines, Forfeitures, and Penalties	164,240	0	0	0	0	30,402	194,642	
Charges for Current Services	31,894	0	0	0	0	246,471	278,365	
Other Local Revenues	519,949	47,871	82,079	54,464	140,368	13,632	858,363	
Fees Received from County Officials	1,207,769	0	0	0	0	0	1,207,769	
State of Tennessee	1,048,749	2,412,658	16,493	0	0	63,032	3,540,932	
Federal Government	452,721	29,627	0	0	0	0	482,348	
Other Governments and Citizens Groups	54,247	0	618,053	1,372,465	0	7,243	2,052,008	
Total Revenues	\$ 8,835,685	\$ 3,034,568	\$ 911,025	\$ 1,978,739	\$ 140,368	\$ 1,295,973	\$ 16,196,358	
<u>Expenditures</u>								
Current:								
General Government	\$ 948,693	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 948,693	
Finance	675,077	0	0	0	0	0	675,077	
Administration of Justice	527,413	0	0	0	0	7,704	535,117	
Public Safety	3,890,912	0	0	0	0	26,441	3,917,353	
Public Health and Welfare	281,036	0	0	0	0	1,102,900	1,383,936	
Social, Cultural, and Recreational Services	248,005	0	0	0	0	0	248,005	
Agriculture and Natural Resources	127,925	0	0	0	0	0	127,925	
Other Operations	1,648,055	0	0	0	0	161,353	1,809,408	
Highways	0	3,571,012	0	0	0	0	3,571,012	
Debt Service:								
Principal on Debt	160,958	19,980	889,247	1,820,000	0	0	2,890,185	
Interest on Debt	60,868	4,184	660,969	151,538	0	0	877,559	
Other Debt Service	0	0	42,804	6,826	0	0	49,630	
Capital Projects	0	0	0	0	7,728,844	600,000	8,328,844	
Total Expenditures	\$ 8,568,942	\$ 3,595,176	\$ 1,593,020	\$ 1,978,364	\$ 7,728,844	\$ 1,898,398	\$ 25,362,744	
Excess (Deficiency) of Revenues Over Expenditures	\$ 266,743	\$ (560,608)	\$ (681,995)	\$ 375	\$ (7,588,476)	\$ (602,425)	\$ (9,166,386)	
<u>Other Financing Sources (Uses)</u>								
Bonds Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,000,000	\$ 0	\$ 5,000,000	
Notes Issued	0	0	0	0	0	600,000	600,000	

(Continued)

Exhibit C-3

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

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Highway/ Public Works	General Debt Service	Rural Debt Service	General Capital Projects	Other Governmental Funds		
Other Financing Sources (Uses) (Cont.)								
Capital Leases Issued	\$ 520,758	\$ 70,228	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 590,986
Insurance Recovery	6,481	0	0	0	0	0	0	6,481
Transfers In	27,953	800,000	720,125	0	0	0	0	1,548,078
Transfers Out	(530,284)	(189,841)	0	0	(827,953)	0	0	(1,548,078)
Total Other Financing Sources (Uses)	\$ 24,908	\$ 680,387	\$ 720,125	\$ 0	\$ 4,172,047	\$ 600,000	\$ 600,000	\$ 6,197,467
Net Change in Fund Balances	\$ 291,651	\$ 119,779	\$ 38,130	\$ 375	\$ (3,416,429)	\$ (2,425)	\$ (2,425)	\$ (2,968,919)
Fund Balance, July 1, 2007	4,185,001	242,451	2,216,682	2,635,388	5,386,469	394,461	394,461	15,060,452
Fund Balance, June 30, 2008	\$ 4,476,652	\$ 362,230	\$ 2,254,812	\$ 2,635,763	\$ 1,970,040	\$ 392,036	\$ 392,036	\$ 12,091,533

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

Exhibit C-4

Hardin County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

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)		\$ (2,968,919)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these 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	\$ 9,749,513	
Less: current year depreciation expense	<u>(2,845,709)</u>	6,903,804
(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, 2008	\$ 642,621	
Less: deferred delinquent property taxes and other deferred June 30, 2007	<u>(700,828)</u>	(58,207)
(3) The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items.		
Less: note proceeds	\$ (600,000)	
Less: bond proceeds	(5,000,000)	
Less: capital lease proceeds	(590,986)	
Add: change in premium on debt issuance	7,346	
Add: change in deferred debt issuance costs	68,059	
Less: change in discount on debt issuance	(79)	
Add: principal payments on bonds	1,515,000	
Add: principal payments on notes	990,247	
Add: principal payments on capital leases	180,938	
Less: change in deferred amount on refunding debt	<u>(30,282)</u>	(3,459,757)
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in accrued interest payable	\$ 9,585	
Change in compensated absences payable	(8,677)	
Change in landfill closure/postclosure care costs	7,299	
Change in other postemployment benefits	<u>(19,803)</u>	(11,596)
Change in net assets of governmental activities (Exhibit B)		<u>\$ 405,325</u>

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

Exhibit D-1

Hardin County, Tennessee
Statement of Net Assets
Proprietary Fund
June 30, 2008

	Business-type Activities - Enterprise Fund
	<u>Major Fund</u>
	<u>Park Rest</u>
	<u>Hardin County</u>
	<u>Health Center</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 155,310
Inventories	5,202
Accounts Receivable	299,281
Prepaid Items	24,805
Restricted Assets:	
Patient Trust	414
Total Current Assets	<u>\$ 485,012</u>
Noncurrent Assets:	
Capital Assets:	
Assets not Depreciated:	
Land	\$ 26,700
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	480,705
Other Capital Assets	41,952
Total Noncurrent Assets	<u>\$ 549,357</u>
Total Assets	<u>\$ 1,034,369</u>
<u>LIABILITIES</u>	
Liabilities	
Accounts Payable	\$ 32,658
Accrued Management Fee	941,742
Other Accrued Expenses	202,060
Current Liabilities Payable from Restricted Assets:	
Patient Trust	414
Total Liabilities	<u>\$ 1,176,874</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	\$ 549,357
Unrestricted	<u>(691,862)</u>
Net Assets	<u>\$ (142,505)</u>

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

Exhibit D-2

Hardin County, Tennessee
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2008

	Business-type Activities - Enterprise Fund
	<u>Major Fund</u>
	Park Rest Hardin County Health Center
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
Patient Revenues	\$ 2,436,445
Total Operating Revenues	<u>\$ 2,436,445</u>
<u>Operating Expenses</u>	
Administrative	\$ 898,410
Dietary	256,385
Housekeeping	107,813
Laundry	120,000
Operation and Maintenance	154,562
Nursing	977,027
Social Service	49,198
Depreciation	45,986
Total Operating Expenses	<u>\$ 2,609,381</u>
Operating Income (Loss)	<u>\$ (172,936)</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 338
Other (net)	630
Total Nonoperating Revenues (Expenses)	<u>\$ 968</u>
Net Income	<u>\$ (171,968)</u>
Change in Net Assets	\$ (171,968)
Net Assets, July 1, 2007	<u>29,463</u>
Net Assets, June 30, 2008	<u><u>\$ (142,505)</u></u>

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

Exhibit D-3

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

	Business-type Activities - Enterprise Fund
	<u>Major Fund</u>
	<u>Park Rest</u>
	<u>Hardin County</u>
	<u>Health Center</u>
<u>Reconciliation of Net Operating Income (Loss)</u> <u>to Net Cash Provided By (Used In) Operating Activities</u>	
Operating Income (Loss)	\$ (172,936)
Adjustments to Reconcile Net Operating Income to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	45,986
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	123,975
(Increase) Decrease in Due from Hardin Home	4,532
(Increase) Decrease in Prepaid Insurance	(6,986)
(Increase) Decrease in Inventory	1,600
Increase (Decrease) in Accounts Payable	(894)
Increase (Decrease) in Accrued Management Fee	129,357
Increase (Decrease) in Accrued Expenses	36,849
	<u>161,483</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 161,483</u>

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

Exhibit E

Hardin County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2008

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,159,310
Due from Other Governments	<u>501,577</u>
Total Assets	<u>\$ 1,660,887</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 501,577
Due to Litigants, Heirs, and Others	<u>1,159,310</u>
Total Liabilities	<u>\$ 1,660,887</u>

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

HARDIN COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

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

The Hardin Medical Center is a community medical center providing general and specialized medical services to patients. Included as part of the Hardin Medical Center is the Hardin County Nursing Home, a 73-bed intermediate care facility, 25 beds of which are also certified for skilled care. The Hardin County Commission appoints the Hardin Medical Center's governing body, which also oversees the Hardin County Nursing Home. Hardin County is financially obligated to retire general obligation bonds of the Hardin Medical Center in the event of default by the hospital.

The Hardin County Convention and Visitors Bureau is a nonprofit organization located in Savannah, Tennessee. Its purpose is to promote tourism in the county. The Hardin County Commission appoints the Hardin County Convention and Visitors Bureau's governing body and provides a significant amount of the bureau's funding.

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

Administrative Offices:

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

Hardin Medical Center
935 Wayne Road
Savannah, TN 38372

Hardin County Convention and Visitors Bureau
495 Main Street
Savannah, TN 38372

B. Government-wide and Fund Financial Statements

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

Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Hardin County School Department component unit only reports governmental activities in the government-wide financial statements.

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

Hardin County issues all debt for the discretely presented Hardin County School Department. Net debt issues (\$600,000) were contributed by the county to the School Department during the year ended June 30, 2008.

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

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

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

Fund financial statements of Hardin County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Hardin County only reports one

proprietary fund, a major enterprise fund, and the discretely presented School Department reports one proprietary fund, an internal service fund.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Hardin County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the debt service funds for payments to be made early in the following year.

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

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

Hardin County reports the following major governmental funds:

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

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

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

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

General Capital Projects Fund – This fund accounts for transactions involving the construction of a new jail.

Hardin County reports the following major enterprise fund:

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

Additionally, Hardin County reports the following fund type:

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

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

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

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

Additionally, the School Department reports the following fund type:

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has one proprietary fund (enterprise fund) used to account for a health care center. The discretely presented School Department has one proprietary fund (internal service fund) used to account for a self-insurance dental program. Operating revenues and expenses generally result from providing services in connection with the funds' principal ongoing operations. The principal operating revenue of the county's proprietary fund is charges for services. The principal operating revenue for the discretely presented School Department's internal service fund is self-insurance premiums. Operating expenses include administrative expenses and dental claims.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

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

The county trustee maintains a cash and internal investment pool that is used by all funds (excluding the Park Rest Hardin County Health Center) and the discretely presented Hardin County School Department. Each fund's portion of this pool is displayed on the

balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Fund. In addition, investments are held separately by the primary government's General Capital Projects Fund. Hardin County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value.

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.

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.43 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 or more (except for buildings and improvements \$10,000, motor vehicles \$10,000, heavy trucks \$25,000, equipment \$30,000, asphalt roads \$75,000/mile, double-surface treatment roads \$30,000/mile, and gravel roads \$12,000/mile) and an estimated useful life of more than five years. Capital assets are defined by the discretely presented Hardin County School Department as assets with an initial, individual cost of \$5,000 (except for buildings and improvements \$10,000, motor vehicles \$10,000, and equipment \$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>
Primary Government:	
Buildings and Improvements	25
Other Capital Assets	5-10
Infrastructure:	
Roads	10-20
Bridges	30
School Department:	
Land Improvements	20
Buildings and Improvements	25
Other Capital Assets	5-10

4. Compensated Absences

It is the county's policy to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from service. The Hardin County Highway Department allows its employees to accrue no more than five vacation days at year-end, except with special permission from the Highway Commissioner. All vacation leave for the Highway Department is accrued when incurred in the government-wide statements for the county. A liability for vacation leave is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements. The granting of sick leave for employees of Hardin County has no guaranteed payment attached and therefore is not required to be accrued or recorded.

The discretely presented Hardin County School Department does not allow most classes of employees to accumulate vacation days beyond their anniversary date, and therefore, any balances at year-end would be immaterial. The general policy of the School Department permits the unlimited accumulation of unused sick leave days. Upon retirement, professional employees receive \$10 per day for unused sick days. All nonprofessional employees receive pay for unused sick days up to 45 days when leaving employment. All sick leave benefits for the School Department are accrued when incurred in the government-wide statements. A liability for sick leave is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

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, landfill closure/postclosure care costs, and other postemployment benefits, 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 \$7,051,522 of restricted net assets, of which \$60,876 is restricted by enabling legislation.

As of June 30, 2008, Hardin County had \$3,525,120 in outstanding debt for capital purposes for the discretely presented Hardin County School Department. This debt is a liability of Hardin County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Hardin County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The following table reflects designations on June 30, 2008:

<u>Fund/Purpose</u>	<u>Amount</u>
General:	
Walking Trail	\$ 3,118
Circuit Court Computers	56,719
GREAT Program	125
Fire Department	91,242

7. Prior-period Adjustment

Net assets were restated from the prior year in the discretely presented Hardin County School Department by \$8,378. The prior-period adjustment resulted from capital assets being restated \$30,542 for equipment purchased during the prior year, and long-term debt being restated (\$22,164) for a capital lease omitted in the prior year.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Hardin County School Department

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

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

Primary Government

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

Discretely Presented Hardin County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, Beer Board, County Mayor, etc.). Management may make revisions within major categories, but only the 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. Cash Overdraft

The discretely presented School Federal Projects Fund had a cash overdraft of \$176,661 at June 30, 2008. This cash overdraft resulted from the issuance of warrants exceeding cash on deposit with the county trustee. The cash overdraft was liquidated subsequent to June 30, 2008.

C. Expenditures and Encumbrances Exceeded Appropriations

Expenditures and encumbrances exceeded appropriations approved by the County Commission in the Board of Education (\$12,963), Office of Principal (\$35,075), and Other Debt Service - Education (\$53,212) major appropriation categories (the legal level of control) of the General Purpose School Fund. Such overexpenditures are a violation of state statutes. These overexpenditures were funded from available fund balance.

D. Lease-Purchase Agreements Were Not Authorized by the County Commission

The Highway Department entered into a three-year lease-purchase agreement (\$70,228) for a backhoe without the approval of the County Commission. The School Department entered into three lease-purchase agreements without the approval of the County Commission (Dodge Ram Truck, five years at \$24,362, Chevrolet Silverado, four years at \$25,895, and a Chevrolet Impala, four years at \$20,483).

E. The County Had Deposits Exposed to Custodial Credit Risk

The circuit court clerk did not require one depository holding county funds to pledge adequate securities to protect funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2008, deposits at this depository exceeded FDIC coverage and collateral securities pledged by \$27,919. Section 5-8-201, Tennessee Code Annotated, requires any bank that is a depository of county funds to deposit in an escrow account in a second bank collateral security equal to 105 percent of such county funds.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Hardin County (excluding the Park Rest Hardin County Health Center, enterprise fund) and the Hardin County School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for

receiving, disbursing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash and investments reflected on the balance sheets or statements of net assets represent nonpooled amounts held separately by individual funds.

Deposits

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

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

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, Hardin County's deposits may not be returned to it. Hardin County does not have a formal policy that limits custodial credit risk for deposits. Separate disclosures concerning bank balances of pooled deposits cannot be made for Hardin County and the discretely presented Hardin County School Department since both pool their deposits and investments through the county trustee. As of June 30, 2008, bank balances of \$27,919 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 27,919
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The \$27,919 exposed to custodial credit risk was in nonpooled bank balances. Uninsured and uncollateralized deposits are a violation of state statutes.

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state

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

Investment Balances. As of June 30, 2008, Hardin County had the following investments carried at fair value. Separate disclosures concerning pooled investments cannot be made for Hardin County and the discretely presented Hardin County School Department since both pool their deposits and investments through the county trustee.

Investments	Maturities	Fair Value
Sevier County Tennessee Public Building Authority	6-1-18	\$ 415,000
Sevier County Tennessee Public Building Authority	6-1-27	<u>1,400,000</u>
Total		<u>\$ 1,815,000</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. Hardin 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. Hardin County has no investment policy that would further limit its investment choices. As of June 30, 2008, Hardin County's investments in the municipal securities (Sevier County Tennessee Public Building Authority) were rated Aa3 by Moody's Investor's Service and AA by Standard & Poor's Ratings.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the county's investment in a single issuer. Hardin County places no limit on the amount the county may invest in one issuer. The nonpooled investments (\$1,815,000) represent the entire investments of the primary government's General Capital Projects Fund.

These investments are entirely in Sevier County Tennessee Public Building Authority bonds.

B. Capital Assets

Capital assets activity for the year ended June 30, 2008, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets Not Depreciated:				
Land	\$ 1,796,254	\$ 54,000	\$ 0	\$ 1,850,254
Construction in Progress	2,838,192	0	(2,838,192)	0
Total Capital Assets Not Depreciated	<u>\$ 4,634,446</u>	<u>\$ 54,000</u>	<u>\$ (2,838,192)</u>	<u>\$ 1,850,254</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 5,459,488	\$ 9,251,030	\$ (121,151)	\$ 14,589,367
Infrastructure	35,905,158	2,045,006	0	37,950,164
Other Capital Assets	5,428,691	1,237,669	(31,822)	6,634,538
Total Capital Assets Depreciated	<u>\$ 46,793,337</u>	<u>\$ 12,533,705</u>	<u>\$ (152,973)</u>	<u>\$ 59,174,069</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 2,616,549	\$ 196,461	\$ (121,151)	\$ 2,691,859
Infrastructure	20,773,003	1,984,155	0	22,757,158
Other Capital Assets	3,841,638	665,093	(31,822)	4,474,909
Total Accumulated Depreciation	<u>\$ 27,231,190</u>	<u>\$ 2,845,709</u>	<u>\$ (152,973)</u>	<u>\$ 29,923,926</u>

Governmental Activities (Cont.):

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Total Capital Assets				
Depreciated, Net	\$ 19,562,147	\$ 9,687,996	\$ 0	\$ 29,250,143
Governmental Activities				
Capital Assets, Net	\$ 24,196,593	\$ 9,741,996	\$ (2,838,192)	\$ 31,100,397

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

Governmental Activities:

General Government	\$ 2,936
Finance	8,660
Public Safety	464,219
Public Health and Welfare	82,016
Social, Cultural, and Recreational Services	99,592
Agriculture and Natural Resources	23,724
Other Operations	11,665
Highways/Public Works	<u>2,152,897</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 2,845,709</u></u>

Discretely Presented Hardin County School Department

Governmental Activities:

	Balance 7-1-07	Prior Period Adjustment	Increases	Balance 6-30-08
Capital Assets Not Depreciated:				
Land	\$ 904,172	\$ 0	\$ 0	\$ 904,172
Total Capital Assets Not Depreciated	<u>\$ 904,172</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 904,172</u>

Governmental Activities (Cont.):

	Balance 7-1-07	Prior Period Adjustment	Increases	Balance 6-30-08
Capital Assets				
Depreciated:				
Buildings and Improvements	\$ 30,590,327	\$ 0	\$ 127,247	\$ 30,717,574
Other Capital Assets	3,441,441	33,610	37,868	3,512,919
Total Capital Assets				
Depreciated	\$ 34,031,768	\$ 33,610	\$ 165,115	\$ 34,230,493
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 16,853,392	\$ 0	\$ 903,433	\$ 17,756,825
Other Capital Assets	2,556,049	3,068	235,245	2,794,362
Total Accumulated Depreciation	\$ 19,409,441	\$ 3,068	\$ 1,138,678	\$ 20,551,187
Total Capital Assets Depreciated, Net	\$ 14,622,327	\$ 30,542	\$ (973,563)	\$ 13,679,306
Governmental Activities Capital Assets, Net	\$ 15,526,499	\$ 30,542	\$ (973,563)	\$ 14,583,478

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

Governmental Activities:

Instruction	\$ 531,404
Support Services	542,982
Operation of Non-Instructional Services	<u>64,292</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,138,678</u>

C. Construction Commitments

At June 30, 2008, the General Capital Projects Fund had uncompleted construction contracts of \$54,806 for construction of a new jail. Funding for these future expenditures has been provided through the issuance of debt.

D. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2008, is as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 356
Discretely Presented School		
Department:		
General Purpose School	School Federal Projects	11,325

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

Due to/from Primary Government and Component Units:

Receivable Fund	Payable Fund	Amount
	Component Unit:	
Primary Government:	Hardin County School Department:	
Rural Debt Service	General Purpose School	\$ 131,521

Interfund Transfers:

Interfund transfers for the year ended June 30, 2008, consisted of the following amounts:

Transfers Out	Transfers In		
	General Fund	Highway/ Public Works Fund	General Debt Service
General Fund	\$ 0	\$ 0	\$ 530,284
Highway/Public Works Fund	0	0	189,841
General Capital Projects Fund	27,953	800,000	0
Total	\$ 27,953	\$ 800,000	\$ 720,125

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.

E. Capital Leases

Primary Government

Terms of capital lease obligations outstanding at June 30, 2008, are as follows:

<u>Description</u>	<u>Date of Lease</u>	<u>Length of Lease in Years</u>	<u>Gross Amount of Assets</u>	<u>Interest Rate</u>	
Rescue Squad Truck	7-16-02	10	\$ 116,588	4.95	%
Fire Trucks	6-6-03	10	427,788	4.75	
Fire Trucks	11-21-05	10	429,882	4.75	
Sheriff Dept. Vehicles	10-10-06	2	85,753	5.67	
Fire Trucks	7-31-07	10	495,000	5.38	
Case Backhoe	9-13-07	3	70,228	8.35	
Ford Expedition	4-2-08	2	25,758	4.95	

Title to the above-noted equipment transfers to Hardin County at the end of the lease periods. The lease-purchase agreement for a backhoe dated September 13, 2007, was not entered into in compliance with state statutes. Lease payments are made from the General Fund and the Highway/Public Works Fund.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2008, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2009	\$ 251,334
2010	223,355
2011	192,385
2012	187,990
2013	187,991
2014-18	392,501
Total Minimum Lease Payments	\$ 1,435,556
Amount Representing Interest	<u>(238,697)</u>
Present Value of Minimum Lease Payments	<u>\$ 1,196,859</u>

Discretely Presented Hardin County School Department

On January 10, 2007, the Hardin County School Department entered into a five-year lease-purchase agreement for a Dodge truck. The terms of the agreement required total lease payments of \$24,362 plus interest of 5.3 percent. Title to the truck transfers to the School Department at the end of the lease period. The General Purpose School Fund is making the lease payments.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2008, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2009	\$ 5,640
2010	5,640
2011	5,640
2012	<u>2,820</u>
Total Minimum Lease Payments	\$ 19,740
Amount Representing Interest	<u>(1,760)</u>
 Present Value of Minimum Lease Payments	 \$ <u>17,980</u>

F. Long-term Debt

Primary Government

General Obligation Bonds and Notes

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 30 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, 2008, will be retired from the General Debt Service and the Rural Debt Service funds.

General obligation bonds, capital outlay notes, and capital leases outstanding as of June 30, 2008, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-08
General Obligation Bonds	3.85 to 4.125 %	\$ 13,600,000	\$ 13,305,000
General Obligation Bonds - Refunding	2 to 3.75	9,865,000	3,320,000
Capital Outlay Notes	4 to 5.2	1,050,400	314,453
Capital Leases	4.75 to 8.35	1,650,997	1,196,859

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2008, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2009	\$ 1,570,000	\$ 643,434	\$ 2,213,434
2010	1,625,000	590,264	2,215,264
2011	1,090,000	531,976	1,621,976
2012	340,000	490,466	830,466
2013	355,000	477,054	832,054
2014-2018	1,980,000	2,164,976	4,144,976
2019-2023	2,405,000	1,747,312	4,152,312
2024-2028	2,735,000	1,230,951	3,965,951
2029-2033	2,305,000	733,775	3,038,775
2034-2037	2,220,000	228,470	2,448,470
Total	<u>\$ 16,625,000</u>	<u>\$ 8,838,678</u>	<u>\$ 25,463,678</u>

Year Ending June 30	Notes		
	Principal	Interest	Total
2009	\$ 145,947	\$ 14,487	\$ 160,434
2010	65,946	7,107	73,053
2011	51,280	3,888	55,168
2012	51,280	1,298	52,578
Total	<u>\$ 314,453</u>	<u>\$ 26,780</u>	<u>\$ 341,233</u>

There is \$4,890,575 available in the debt service funds to service long-term debt. Bonded debt per capita totaled \$650, based on the 2000 federal census.

Debt per capita, including bonds, notes, and capital leases totaled \$709, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

Governmental Activities:	Bonds	Notes	Capital Leases
Balance, July 1, 2007	\$ 13,140,000	\$ 704,700	\$ 786,811
Additions	5,000,000	600,000	590,986
Deductions	(1,515,000)	(990,247)	(180,938)
Balance, June 30, 2008	<u>\$ 16,625,000</u>	<u>\$ 314,453</u>	<u>\$ 1,196,859</u>
Balance Due Within One Year	<u>\$ 1,570,000</u>	<u>\$ 145,947</u>	<u>\$ 192,247</u>
	Compensated Absences	Landfill Closure/ Postclosure Care Costs	Other Post Employment Benefits
Balance, July 1, 2007	\$ 95,553	\$ 299,756	\$ 0
Additions	123,805	0	40,515
Deductions	(115,128)	(7,299)	(20,712)
Balance, June 30, 2008	<u>\$ 104,230</u>	<u>\$ 292,457</u>	<u>\$ 19,803</u>
Balance Due Within One Year	<u>\$ 79,828</u>	<u>\$ 7,300</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 18,552,802
Less: Balance Due Within One Year	(1,995,322)
Add: Unamortized Premium on Debt	22,040
Less: Deferred Discount on Debt	(2,305)
Less: Deferred Amount on Refunding	<u>(43,411)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 16,533,804</u>

Compensated absences and other postemployment benefits will be paid from the employing funds, primarily the General and the Highway/Public Works

funds. Landfill postclosure care costs will be paid from the Solid Waste/Sanitation Fund.

Discretely Presented Hardin County School Department

Capital leases outstanding as of June 30, 2008, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-08
Capital Lease	5.3%	\$ 24,362	\$ 17,980

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Hardin County School Department for the year ended June 30, 2008, was as follows:

Governmental Activities:

	Notes	Capital Leases
Balance, July 1, 2007	\$ 48,595	\$ 22,164
Additions	0	0
Deductions	(48,595)	(4,184)
Balance, June 30, 2008	<u>\$ 0</u>	<u>\$ 17,980</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 4,802</u>

	Compensated Absences	Other Post Employment Benefits
Balance, July 1, 2007	\$ 395,155	\$ 0
Additions	99,089	1,050,000
Deductions	(90,583)	(309,167)
Balance, June 30, 2008	<u>\$ 403,661</u>	<u>\$ 740,833</u>
Balance Due Within One Year	<u>\$ 90,534</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 1,162,474
Less: Balance Due Within One Year	<u>(95,336)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 1,067,138</u>

Compensated absences will be paid from the employing funds, primarily the General Purpose School, School Federal Projects, and Central Cafeteria funds. Other postemployment benefits will be paid from the General Purpose School and School Federal Projects funds.

G. On-Behalf Payments – Discretely Presented Hardin County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Hardin County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state’s Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2008, were \$84,110 and \$25,600, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

H. Short-term Debt

Hardin County issued tax anticipation notes from the General Debt Service Fund in advance of tax collections and deposited the proceeds in the General Purpose School Fund. These notes were necessary because funds were not available to meet operating expenses due before current tax collections. Short-term debt activity for the year ended June 30, 2008, was as follows:

	Balance 7-1-07	Issued	Redeemed	Balance 6-30-08
Tax Anticipation Notes	\$ 0	\$ 750,000	\$ (750,000)	\$ 0

V. OTHER INFORMATION

A. Risk Management

Primary Government

Liability, Property, and Casualty

Hardin County participates in the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. Hardin County pays an annual premium to the TN-RMT for its general liability, property, and casualty insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

Workers' Compensation Insurance

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

Employee Health Insurance

Hardin County participates in the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, TCA, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF 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. The state statute provides for the LGGIF to be self-sustaining through member premiums.

Discretely Presented Hardin County School Department

Liability, Property, Casualty, and Workers' Compensation Insurance

The School Department participates in the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Liability Act to provide governmental

insurance coverage. The School Department pays an annual premium to the TN-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

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 8-27-301, TCA, all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. Section 8-27-303, TCA, provides for the LEGIF to be self-sustaining through member premiums.

Employee Dental Insurance

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

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

Employee Insurance Fund

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Estimates	Payments	Balance at Fiscal Year-end
2006-07	\$ 13,503	\$ 215,735	\$ 222,439	\$ 6,799
2007-08	6,799	237,477	237,403	6,873

B. Accounting Changes

Provisions of Governmental Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures became effective for the year ended June 30, 2008.

GASB Statement No. 45 establishes reporting requirements for Other Postemployment Benefits (OPEB). OPEB includes postemployment healthcare, as well as other forms of postemployment benefits (for example, life and dental insurance) when provided separately from a pension plan. This statement establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the county's financial statements. In previous years, Hardin County and the Hardin County School Department had only recognized the current year cost (expense) of these benefits. GASB Statement No. 45 was implemented prospectively with a zero net OPEB obligation at transition.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions are sales or collateralized borrowings and provides guidance on how to account for sales or pledges of receivables or future revenues. This statement provides additional guidance for sales of receivables and future revenues within the same reporting entity. This statement also requires governments to disclose, in the notes to the financial statements, the nature of any receivables or future revenues that have been pledged or sold. Tennessee state statutes do not currently allow counties to sell or pledge receivables or sell future revenue streams. Therefore, those provisions of GASB Statement No. 48 that pertain to the sale or pledge receivables or sale of future revenues will not apply to Hardin County. GASB Statement No. 48 had no effect on the financial statements of Hardin County for the year ended June 30, 2008, since the county has not pledged any of its future revenues. However, it is reasonably expected that Hardin County may pledge a future revenue stream toward the payment of debt in subsequent years.

GASB Statement No. 50 amends previous guidance concerning pension information. This statement closely aligns the financial reporting requirements for pensions with those for other postemployment benefits and enhances the information disclosed in the notes to the financial statements or presented as required supplementary information for pension plans. This statement requires Hardin County to provide additional and more detailed pension plan note disclosures than in previous years.

C. Subsequent Events

On July 25, 2008, the Hardin County School Department entered into capital lease agreements for a Chevrolet Silverado and a Chevrolet Impala for \$25,895 and \$20,483, respectively.

On August 18, 2008, Hardin County issued capital outlay notes totaling \$115,500 for a solid waste refuse truck.

D. Contingent Liabilities

Hardin County is contingently liable for an \$8,000,000 loan agreement dated July 29, 2003, for improvements to the Hardin Medical Center. Hardin County would become liable for this loan and the interest thereon in the event of default by the medical center. The principal of this loan agreement is reflected on the financial statements of the Hardin Medical Center. As of June 30, 2008, \$939,000 has been repaid leaving a balance of \$7,061,000. Future principal and interest requirements for the entire loan at June 30, 2008, were \$7,061,000 and \$1,460,305, respectively.

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

E. Landfill Closure/Postclosure Care Costs

The Savannah-Hardin County Landfill is jointly owned by the City of Savannah and Hardin County. Hardin County is responsible for the closure and postclosure care of the landfill with the City of Savannah contractually agreeing to pay 50 percent of the costs. State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. These closure and postclosure care costs generally are paid near or after the date that the landfill stops accepting waste. The landfill was closed on July 1, 1998. Remaining postclosure care costs are estimated to be \$584,914. The \$292,457 reported as landfill postclosure care liability at June 30, 2008, represents 50 percent of the estimated costs for future postclosure care functions. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

F. Joint Ventures

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

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

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

Administrative Office:

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

G. Retirement Commitments

Employees

Plan Description

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

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

Funding Policy

Hardin County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2008, was 9.98 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Hardin County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2008, Hardin County's annual pension cost of \$617,781 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 postretirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Hardin County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was 17 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-08	\$617,781	100%	\$0
6-30-07	585,069	100	0
6-30-06	523,592	100	0

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 87.52 percent funded. The actuarial accrued liability for benefits was \$14.99 million, and the actuarial value of assets was \$13.12 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.87 million. The covered payroll (annual payroll of active employees covered by the plan) was \$5.86 million, and the ratio of the UAAL to the covered payroll was 31.92 percent.

The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

School Teachers

Plan Description

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

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Hardin County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2008, was 6.24 percent of annual covered payroll. The employer contribution requirement for the Hardin County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2008, 2007, and 2006, were \$861,363, \$814,533, and \$713,288, respectively, equal to the required contributions for each year.

H. Other Postemployment Benefits (OPEB)

Postemployment Healthcare Plan

Plan Description

Hardin County and the School Department participate in the state-administered Local Government Group Insurance Plan and Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-302, Tennessee Code Annotated (TCA) for teachers, and Section 8-27-207, TCA for local governments. Prior to reaching the age 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare supplement plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of the plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. The discretely presented School Department makes a contribution toward the health insurance premium of the school department's group

medical plan for employees who retire with 30 years of service. This contribution continues until the employee reaches age 65 and is Medicare eligible. The School Department pays 55 percent for single coverage on certified staff and 100 percent on noncertified staff. Tennessee Consolidated Retirement System pays 45 percent for certified staff. Retirees' contributions vary depending on the insurance options they select ranging from \$232 to \$461 per month. During the year ended June 30, 2008, Hardin County and the discretely presented School Department contributed \$20,712 and \$309,167, respectively, for postemployment health care.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 1,050,000	\$ 40,515
Interest on the NPO	0	0
Adjustment to the ARC	0	0
Annual OPEB cost	\$ 1,050,000	\$ 40,515
Less: Amount of contribution	(309,167)	(20,712)
Increase/decrease in NPO	\$ 740,833	\$ 19,803
Net OPEB obligation, 7-1-07	0	0
Net OPEB obligation, 6-30-08	<u>\$ 740,833</u>	<u>\$ 19,803</u>

Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-08	Local Education Group	\$ 1,050,000	29 %	\$ 740,833
6-30-08	Local Government Group	40,515	51	19,803

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2008, was as follows:

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	6-30-07	6-30-07
Actuarial accrued liability (AAL)	\$ 8,846,000	\$ 419,384

Funded Status and Funding Progress Cont.)

The funded status of the plan as of June 30, 2008, was as follows:

	Local Education Group Plan	Local Government Group Plan
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 8,846,000	\$ 419,384
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 14,124,744	\$ 3,378,965
UAAL as a % of covered payroll	63%	12%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the June 30, 2007, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 11 percent initially, reduced by decrements to an ultimate rate of six percent after ten years. Both rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

I. Purchasing Laws

Office of County Mayor

Purchasing procedures for the County Mayor's Office are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated (TCA). This act provides for all purchases exceeding \$10,000 to be made based on competitive bids solicited through newspaper advertisement.

Office of Highway Commissioner

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

Office of Director of Schools

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

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

A. General Information

1. General

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

2. Fund Accounting

The accounts of Park Rest are organized on the basis of funds. The operations of funds are accounted for with a separate set of self-balancing accounts that comprise their assets, liabilities, fund

equity, revenues, and expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The accounts in the financial statements in this report fall under one broad fund category as follows:

Proprietary Funds

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

3. Reporting Entity

Park Rest is a department of Hardin County, Tennessee. Park Rest is not a legally separate entity and the Hardin County Commission is responsible for appointing each member of the Nursing Home Committee, which oversees Park Rest’s operations. In addition, nursing home revenues were the source of repayment for bonds issued to finance construction of the facility.

B. Summary of Significant Accounting Policies

1. Measurement Focus and Basis of Accounting

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

Inventory

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

Property and Equipment

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

2. GASB Conformity

The financial statements included herein are prepared in conformity with generally accepted accounting principles as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB). Park Rest applies Financial Accounting Standards Board (FASB) pronouncements, Accounting Principles Board (APB) Opinions, and Committee on Accounting Procedure (CAP) Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. GASB Statement Nos. 20 and 34 provide the option of electing to apply FASB pronouncements issued after November 30, 1989. Park Rest has elected not to apply those pronouncements.

3. Cash and Cash Equivalents

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

4. Operating Revenues/Expenses

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

C. Related Party Transactions

During the year, Hardin Home (an independent nursing home facility owned by the manager of Park Rest) provided Park Rest with laundry services. Hardin Home based the laundry charges on prevailing rates in the area. The total laundry charges for the year were \$120,000.

Park Rest provided meals to Hardin Home. The charges for the meals approximated Park Rest's actual costs of providing the meals. The dietary charges for the year totaled \$156,000.

Some employees work for both facilities and each facility is responsible for its share of applicable payroll expenses.

The amount shown in the balance sheet as Due from Hardin Home represents the net effect of all the situations described above. Repayment is expected next year. During the year, the net receivable decreased by \$4,532.

The county has contracted with an outside firm to manage Park Rest. The management fee is seven percent of the gross revenues received by the facility from all sources and equaled \$171,357 in 2008.

Park Rest is responsible for paying to the county a monthly administrative fee equal to one percent of gross revenues. For 2008, that fee equaled \$24,480.

D. Risk Management

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

E. Custodial Credit Risk – Deposits

Park Rest's investment policies are governed by state statute. Included in permissible investments are direct obligations of the U.S. Government and agency securities, certificates of deposit, and savings accounts.

For deposits, custodial credit risk is the risk that, in the event of a bank failure, deposits may not be returned. Park Rest does not have a policy regarding custodial credit risk for deposits. Collateral is required for demand deposits and certificates of deposit at 105 percent of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State of Tennessee and its subdivisions.

As of June 30, 2008, \$52,519 of the bank balances of \$155,310 was exposed to custodial credit risk since that amount was uninsured and uncollateralized.

F. Concentration of Credit Risk

Approximately 95 percent of the patients in Park Rest participate in the Medicaid program. As a result, a portion of their care is paid for by the State

of Tennessee. At June 30, 2008, the State of Tennessee had advanced payments to Park Rest to cover estimated charges through that date. As a result, essentially all of the net accounts receivable was due from individuals.

G. Compensated Absences

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

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

Accrued sick pay was not considered material and, accordingly, no liability is included in the financial statements for it.

H. Trust Funds

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

I. Capital Assets

Capital assets activity for the year ended June 30, 2008, was as follows:

	Balance 7-1-07	Increases	Balance 6-30-08
Capital Assets Not Being Depreciated:			
Land	\$ 26,700	\$ 0	\$ 26,700
Capital Assets Being Depreciated:			
Building and Improvements	\$ 1,127,838	\$ 0	\$ 1,127,838
Furniture and Fixtures	49,985	1,548	51,533
Equipment	243,327	9,831	253,158
Total Capital Assets Being Depreciated	\$ 1,421,150	\$ 11,379	\$ 1,432,529

	Balance 7-1-07	Increases	Balance 6-30-08
Less Accumulated Depreciation For:			
Building and Improvements	\$ (615,657)	\$ (31,476)	\$ (647,133)
Furniture and Fixtures	(40,365)	(2,914)	(43,279)
Equipment	(207,864)	(11,596)	(219,460)
Total Accumulated Depreciation	<u>\$ (863,886)</u>	<u>\$ (45,986)</u>	<u>\$ (909,872)</u>
 Total Capital Assets Depreciated, Net	 <u>\$ 557,264</u>	 <u>\$ (45,986)</u>	 <u>\$ 522,657</u>
 Total Capital Assets, Net	 <u>\$ 583,964</u>	 <u>\$ (34,607)</u>	 <u>\$ 549,357</u>

Fully depreciated assets at June 30, 2008, total \$240,817.

VII. OTHER NOTES – DISCRETELY PRESENTED HARDIN MEDICAL CENTER

A. General Information

1. General

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

2. Reporting Entity

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

B. Summary of Significant Accounting Policies

1. GASB Conformity

The financial statements included herein are prepared in conformity with generally accepted accounting principles (GAAP) as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB). The medical center applies Financial Accounting Standards Board (FASB) pronouncements, Accounting Principles

Board (APB) Opinions, and Accounting and Research Bulletins (ARB) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

2. Measurement Focus and Basis of Accounting

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

3. Cash Equivalents

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

4. Accounts Receivable

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

5. Inventories

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

6. Compensated Absences

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

7. Fund Accounting

The accounts of the Hardin Medical Center are organized on the basis of funds. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Each fund is accounted for with a separate set of self-balancing accounts

that comprise its assets, liabilities, fund equity, revenues, and expenses, as appropriate. The accounts in the financial statements in this report fall under one broad fund category as follows:

Proprietary Fund

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

8. Capital Assets

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

9. Operating Income

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

C. Pension Plan

Plan Description

Employees of the Hardin Medical Center are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and

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

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

Funding Policy

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

The Hardin Medical Center is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2008, was 10.29 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. Contribution requirements for the Hardin Medical Center are established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2008, the Hardin Medical Center's annual pension cost of \$1,036,176 to TCRS was equal to their required and actual contributions. The required contribution was determined as part of the July 1, 2005, actuarial valuation using the frozen initial liability actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent

(graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected postretirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The Hardin Medical Center's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was ten years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-08	\$ 1,036,176	100%	\$ 0
6-30-07	993,229	100	0
6-30-06	714,538	100	0

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 85.39 percent funded. The actuarial accrued liability for benefits was \$26.38 million, and the actuarial value of assets was \$22.52 million, which resulted in unfunded actuarial accrued liability (UAAL) of \$3.85 million. The covered payroll (annual payroll of active employees covered by this plan) was \$9.56 million, and the ratio of the UAAL to the covered payroll was 40.3 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The required annual contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

D. Due from/to Intermediaries

The Hardin Medical Center participates in the Medicare and TennCare programs as well as providing health-care services to patients whose coverage is paid for by other commercial insurance carriers. Historically, reimbursements for certain services under the Medicare program were made on the basis of audited cost reports filed on a fiscal year basis. Periodically, the commercial insurance carriers may conduct their own audit of the center's records. The amounts presented below are subject to final audit by the intermediaries. The amounts due to intermediaries represent amounts determined to be payable as a result of reviews of the center's records. The center's Medicare cost reports have been audited through June 30, 2007.

E. Economic Dependency

Approximately 45 percent of all charges for the year were made to the Medicare program, and 42 percent of the net accounts receivable balance as of June 30, 2008, was due from the Medicare program.

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

F. Physician Guarantees

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

G. Charity Care

Hardin Medical Center maintains records to identify and monitor the level of charity care it provides for patients. The records include the amount of charges foregone for services and supplies furnished under its charity care policy. Hardin Medical Center provided charity care services, measured in terms of established patient billing rates, of approximately \$1,168,628.

H. Long-term Debt

Hardin County entered into a loan agreement dated July 29, 2003, to borrow up to \$8,000,000 in bonds to improve the Hardin Medical Center. The county received a total of \$8,000,000, and the medical center is repaying the bonds in annual principal and monthly interest payments. At June 30, 2008, the interest rate was 1.54 percent.

The Hardin Medical Center borrowed \$300,000 in January 2007, from the Tennessee Valley Electric Cooperative under the Rural Economic Loan and

Grant Program. The proceeds were used to finance the acquisition costs of new computer software. The note does not bear interest, but the principal is to be paid in monthly installments of \$2,500 from February 2007 through January 2017. Security is a certificate of deposit and an irrevocable standby letter of credit.

In June 2008, the Hardin Medical Center entered into a capital lease agreement whereby it financed the purchase of equipment with monthly interest and principal payments of \$17,200 through 2013 at an interest rate of 3.52 percent.

Maturities of all long-term debt are as follows:

Year Ending June 30	Bond Principal	Note Principal	Capital Lease Principal	Interest
2009	\$ 207,000	\$ 30,000	\$ 175,954	\$ 139,182
2010	216,000	30,000	182,248	129,701
2011	223,000	30,000	188,767	119,855
2012	231,000	30,000	195,921	109,267
2013	238,000	30,000	202,115	99,516
2014-2018	1,317,000	107,500	0	418,618
2019-2023	1,553,000	0	0	310,156
2024-2028	1,831,000	0	0	182,336
2029-2032	1,245,000	0	0	38,654
Total	\$ 7,061,000	\$ 257,500	\$ 945,005	\$ 1,547,285

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

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08	Due Within One Year
Bonds	\$ 7,265,000	\$ 0	\$ 204,000	\$ 7,061,000	\$ 207,000
Notes	287,500	0	30,000	257,500	30,000
Capital Leases	0	945,005	0	945,005	175,954
Total	\$ 7,552,500	\$ 945,005	\$ 234,000	\$ 8,263,505	\$ 412,954

I. Net Patient Service Revenue

Hardin Medical Center has agreements with third-party payers that provide for payments at amounts different from their established rates. Net operating revenues are net of contractual adjustments and policy discounts of

\$41,696,003. A summary of the payment arrangements with major third-party payers follows:

Medicare

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

TennCare – Blue Cross

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

TennCare – Omni Care, BetterHealth, and TLC

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

Blue Cross

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

Other

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

J. Deposits and Investments

Hardin Medical Center maintains checking accounts and certificates of deposit with local banks. Their investment policies are governed by state statute. Included in permissible investments are direct obligations of the U.S. government and agency securities, certificates of deposit, and savings accounts. Hardin Medical Center has no policy that further limits allowable investments. At June 30, 2008, investments consisted entirely of certificates of deposit. Investments are carried at cost, which approximated fair value.

For deposits, custodial credit risk is the risk that, in the event of a bank failure, the Hardin Medical Center deposits may not be returned to them. The center does not have a policy regarding custodial credit risk for deposits. Collateral is required for demand deposits and certificates of deposit at

105 percent of all amounts not covered by federal deposit insurance. Obligations of the United States and its agencies and obligations of the State of Tennessee and its subdivisions may be pledged as collateral.

K. Ambulance Service

Hardin County paid for the construction of a building to house ambulance facilities and has also purchased ambulances and related equipment, but the Hardin Medical Center is responsible for operating the ambulance service. Expenditures by Hardin County since the Hardin Medical Center began operating the ambulance service totals \$1,102,788. This amount is not reflected in property and equipment in the accompanying financial statements. In addition, Hardin County provides an annual subsidy (\$50,000 in 2008) to defray costs incurred in operating the ambulance service. This annual allocation is in addition to the cumulative expenditures mentioned above.

L. Risk Management

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

Beginning April 2002, medical and dental insurance for employees is provided by self-funding claims as they arise. Under this arrangement, the Hardin Medical Center provides coverage up to a maximum of \$50,000 per year for each employee's medical claims. Hardin Medical Center has purchased commercial insurance for claims in excess of coverage provided through the self-insurance plan. Claims expenditures and liabilities are reported under the self-insurance plan when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Changes in the claims liability for all employees are as follows:

Beginning of Fiscal Year	Incurred Claims	Claims Payments	Employee Deductions	End of Fiscal Year
\$ 94,719	\$ 1,425,256	\$ (821,751)	\$ (565,387)	\$ 132,837

M. Net Assets

Net assets invested in capital assets, net of related debt, are calculated by taking the net plant in service of \$13,730,345 less the long-term debt of \$8,263,505.

Net assets restricted for specific operating activities represent operating grant funds not yet expended.

N. Capital Assets

Capital assets activity for the year follows:

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets Not Depreciated:				
Land	\$ 34,500	\$ 30,000	\$ 0	\$ 64,500
Construction in Progress	37,900	119,054	156,954	0
Total Capital Assets Not Depreciated	\$ 72,400	\$ 149,054	\$ 156,954	\$ 64,500
Capital Assets Depreciated:				
Land Improvements	\$ 317,090	\$ 0	\$ 0	\$ 317,090
Buildings	13,413,833	165,144	0	13,578,977
Equipment	11,592,655	478,227	0	12,070,882
Furniture and Fixtures	193,104	0	0	193,104
Assets Under Capital Lease	1,728,847	945,005	0	2,673,852
Intangible Costs	86,989	0	0	86,989
Total Capital Assets Depreciated	\$ 27,332,518	\$ 1,588,376	\$ 0	\$ 28,920,894
Less Accumulated Depreciation For:				
Land improvements	\$ 218,535	\$ 23,970	\$ 0	\$ 242,505
Buildings	3,969,025	347,575	0	4,316,600
Equipment	7,627,163	1,019,276	0	8,646,439

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Less Accumulated Depreciation For (Cont.):				
Assets under capital lease	1,707,467	123,984	0	1,831,451
Intangible costs	86,989	0	0	86,989
Total Accumulated Depreciation	<u>\$ 13,725,838</u>	<u>\$ 1,529,211</u>	<u>\$ 0</u>	<u>\$ 15,255,049</u>
Total Capital Assets Depreciated, Net	<u>\$ 13,606,680</u>	<u>\$ 59,165</u>	<u>\$ 0</u>	<u>\$ 13,665,845</u>
Total Capital Assets, Net	<u><u>\$ 13,679,080</u></u>	<u><u>\$ 208,219</u></u>	<u><u>\$ 156,954</u></u>	<u><u>\$ 13,730,345</u></u>

Depreciation expense of \$1,529,211 (including \$123,984 on assets under capital lease) was recorded by the Hardin Medical Center. Fully depreciated assets at June 30, 2008, totaled \$8,225,197. Related interest cost of \$155,137 was capitalized in prior years.

O. Operating Leases

Hardin Medical Center leased surgery cataract equipment under operating leases during the year at a total expense of \$283,096.

P. Accounts Payable

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

Q. Commitments and Contingencies

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

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

A. General Information

Hardin County Emergency Communication District provides 911 emergency assistance to persons living in Hardin County. The district is a component unit of Hardin County. Accordingly, this financial data is incorporated into the county's financial statements. Board members are appointed by the county mayor. Additionally, any bonded indebtedness by the district is subject to the approval of the Hardin County Commission. Revenues received in excess of the district's operating requirements are remitted to the City of

Savannah, which pays the salaries of the dispatchers. Any unreimbursed dispatcher salaries are evenly shared by the city and the county.

B. Summary of Significant Accounting Policies

1. GASB Conformity

The financial statements included herein are prepared in conformity with generally accepted accounting principles as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 20 – “Election of a Reporting Method” – required the district to elect either (1) all provisions of the Financial Accounting Standards Board (FASB) issued prior to 1989 for proprietary type funds, or (2) all provisions of FASB regardless of the issue date for proprietary type funds. The district elected to adopt only the provisions of FASB prior to 1989.

2. Measurement Focus and Basis of Accounting

The district uses the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities associated with their activities are reported.

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

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

3. Cash and Cash Equivalents

Cash and cash equivalents, as used in the Statement of Cash Flows, include demand deposit accounts and certificates of deposit with maturities of three months or less when purchased, in accordance with GASB Statement No. 9.

4. Capital Assets

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

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

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

5. Operating Revenues and Expenses

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

6. Fund Accounting

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

Proprietary Fund

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

C. Revenues

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

D. Risk Management

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

E. Contract Agreement

In 1992, the district entered into an agreement with Hardin County, Tennessee, and the City of Savannah, Tennessee, whereby the board of the district is charged with the responsibilities of establishing and collecting service fees; seeking additional funding and issuing bonds, if necessary; and creating a dispatch service and determining the mode. Further, the parties agreed that the City of Savannah would serve as the administrative unit with the responsibility to operate the dispatch facility in a manner consistent with statutory requirements. The district has traditionally remitted excess funds to the city to cover various operating expenses. This year the district remitted \$46,807 to the city.

F. Deposits and Investments

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

For deposits, custodial credit risk is the risk that, in the event of a bank failure, district deposits may not be returned to it. The district does not have a policy regarding custodial risk for deposits. Collateral is required for demand deposits and certificates of deposit at 105 percent of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State of Tennessee and its subdivisions. The district's deposits at year-end were not exposed to custodial risk due to being entirely covered by depository insurance (a combination of federal depository insurance with the excess covered by the State Bank's Collateral Pool).

G. Compensated Absences

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

H. Capital Assets

Capital assets activity for the year ended June 30, 2008, was as follows:

	Balance 7-1-07	Increases	Balance 6-30-08
Capital Assets Being Depreciated:			
Building Improvements	\$ 43,985	\$ 0	\$ 43,985
Equipment - Capital Lease	339,029	0	339,029
Equipment and Software	264,547	0	264,547
Vehicles	25,196	0	25,196
Maps	176,904	0	176,904
Total Capital Assets Being Depreciated	\$ 849,661	\$ 0	\$ 849,661
Less Accumulated Depreciation For:			
Building Improvements	\$ (9,509)	\$ (1,466)	\$ (10,975)
Equipment - Capital Lease	(315,288)	(8,903)	(324,191)
Equipment and Software	(206,394)	(29,359)	(235,753)
Vehicles	(25,196)	0	(25,196)
Maps	(94,504)	(13,517)	(108,021)
Total Accumulated Depreciation	\$ (650,891)	\$ (53,245)	\$ (704,136)
Total Capital Assets Being Depreciated, Net	\$ 198,770	\$ (53,245)	\$ 145,525
Total Capital Assets, Net	\$ 198,770	\$ (53,245)	\$ 145,525

Depreciation expense of \$53,245 was recorded by the district.

I. Stewardship, Compliance, and Accountability

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

Budget Appropriations

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

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

J. Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

IX. OTHER NOTES – DISCRETELY PRESENTED HARDIN COUNTY CONVENTION AND VISITORS BUREAU

A. General Information

Hardin County Convention and Visitors Bureau (HCCVB) is a nonprofit organization located in Savannah, Tennessee. Its purpose is to promote the tourism aspect of Hardin County, Tennessee. HCCVB is a component unit of Hardin County since (1) the majority of board members are appointed by the County Commission, and (2) it receives a significant portion of its funding from Hardin County. Accordingly, this financial data is incorporated into the county's financial statements.

B. Summary of Significant Accounting Policies

1. GASB Conformity

The financial statements included herein are prepared in conformity with generally accepted accounting principles as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 20 – “Election of a Reporting Method” – required the HCCVB to elect either (1) all provisions of the Financial Accounting Standards Board (FASB) issued prior to 1989 for proprietary type funds, or (2) all provisions of FASB regardless of the issue date for proprietary type funds. HCCVB elected to adopt only the provisions of FASB prior to 1989.

2. Measurement Focus

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. The business-like activities herein are presented using the economic resources measurement focus.

The proprietary funds utilize an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities

(whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

3. Basis of Accounting

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

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

4. Capital Assets

Capital assets are reported at cost, except for donated property, which is reported at fair market value as of the date of donation, and includes improvements that significantly add to utility or extend useful lives. Costs for maintenance and repairs are charged to expense. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in earnings for the period. Depreciation is computed using the straight-line method to allocate the cost of furniture and equipment over an estimated useful life of five years.

Capital assets activity for the year ended June 30, 2008, was as follows:

	Balance 7-1-07	Increases	Balance 6-30-08
Capital Assets Being Depreciated:			
Furniture and Equipment	\$ 3,343	\$ 0	\$ 3,343
Total Capital Assets Being Depreciated	<u>\$ 3,343</u>	<u>\$ 0</u>	<u>\$ 3,343</u>
Less Accumulated Depreciation For:			
Furniture and Equipment	\$ (3,343)	\$ 0	\$ (3,343)
Total Accumulated Depreciation	<u>\$ (3,343)</u>	<u>\$ 0</u>	<u>\$ (3,343)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Capital Assets, Net	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

5. Cash

Cash, as used in the Statement of Cash Flows, consists of cash on hand.

6. Accruals

Prepaid expenses relate to firework expenses paid in the current year to be expensed in the next fiscal year since the expenses are for the next fiscal year's firework show.

7. Equity Classifications

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation.
- 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 of enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets.

8. Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues that are not generated from the daily operations are defined as nonoperating.

C. Stewardship, Compliance, and Accountability

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

1. Deposits and Investments – Laws and Regulations

In accordance with state law, all uninsured deposits of county funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes

certain U.S. Government or government agency securities, certain State of Tennessee or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to HCCVB must have a written collateral agreement approved by the board of directors or loan committee. HCCVB has no policy regarding custodial credit risk for deposits.

HCCVB's investment policies are governed by state statute. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit and savings accounts. Collateral is required for demand deposits, certificates of deposits and repurchase agreements at 105 percent of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its subdivisions. HCCVB has no policy that further limits allowable investments.

2. Deficit Prohibition

State statutes prohibit the creation of a deficit fund balance in any individual fund. HCCVB complied with this statute in all material respects for the year ended June 30, 2008.

3. Budget Appropriation

State statutes prohibit expenses in excess of budget appropriations. HCCVB did not comply with this state statute since expenses exceeded budget appropriations for the year.

D. Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Tax Exemption

HCCVB has a determination letter from the Internal Revenue Service stating that it is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

F. Concentration of Credit Risk

HCCVB receives approximately 89 percent of operating revenues from hotel and motel sales tax collections by Hardin County, Tennessee.

G. Donated Services

Accounting services were provided at no charge to HCCVB by a local accounting firm. An estimated fair value of \$3,600 for services rendered is reflected in the statement of revenues, expenses, and changes in net assets as both a revenue and an expense.

H. Related Parties

HCCVB is represented on the board of directors of Team Hardin County, Inc. (THC), another nonprofit organization that is involved in the promotion of Hardin County. THC pays expenses incurred by HCCVB and hotel/motel tax receipts are received by THC to offset those expenses. During the year, cash payments exceeded receipts by \$3,323. At year end, THC owed HCCVB \$71,392.

I. Retirement Plan

HCCVB is a participant in a non-contributory defined contribution money purchase pension plan, which covers all full-time employees. HCCVB's contribution rate is five percent of base compensation. The total retirement plan expense for the year was \$3,478.

J. Risk Management

It is the policy of HCCVB to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability and theft. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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Exhibit F-1

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 5,275,380	\$ 0	\$ 0	\$ 5,275,380	\$ 5,202,195	\$ 5,214,945	\$ 60,435
Licenses and Permits	80,736	0	0	80,736	86,250	86,250	(5,514)
Fines, Forfeitures, and Penalties	164,240	0	0	164,240	190,655	190,655	(26,415)
Charges for Current Services	31,894	0	0	31,894	33,300	33,300	(1,406)
Other Local Revenues	519,949	0	0	519,949	353,400	417,124	102,825
Fees Received from County Officials	1,207,769	0	0	1,207,769	1,209,000	1,209,000	(1,231)
State of Tennessee	1,048,749	0	0	1,048,749	819,057	941,568	107,181
Federal Government	452,721	0	0	452,721	300,000	414,802	37,919
Other Governments and Citizens Groups	54,247	0	0	54,247	38,800	40,168	14,079
Total Revenues	\$ 8,835,685	\$ 0	\$ 0	\$ 8,835,685	\$ 8,232,657	\$ 8,547,812	\$ 287,873
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 60,064	\$ 0	\$ 0	\$ 60,064	\$ 66,927	\$ 66,927	\$ 6,863
Board of Equalization	490	0	0	490	960	960	470
Beer Board	3,370	0	0	3,370	4,075	4,075	705
Other Boards and Committees	1,500	0	0	1,500	1,100	1,950	450
County Mayor/Executive	136,238	0	0	136,238	127,477	137,041	803
County Attorney	4,802	0	0	4,802	7,000	7,000	2,198
Election Commission	118,728	0	90	118,818	119,606	121,379	2,561
Register of Deeds	132,745	0	0	132,745	137,917	137,917	5,172
County Buildings	490,756	(81,735)	5,224	414,245	421,119	421,119	6,874
<u>Finance</u>							
Accounting and Budgeting	97,097	0	100	97,197	95,052	97,552	355
Property Assessor's Office	177,380	(87)	0	177,293	187,117	187,117	9,824
Reappraisal Program	26,126	0	0	26,126	30,236	30,236	4,110
County Trustee's Office	161,589	0	0	161,589	163,956	164,581	2,992

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Finance (Cont.)</u>							
County Clerk's Office	\$ 212,885	\$ (600)	\$ 0	\$ 212,285	\$ 211,691	\$ 212,366	\$ 81
<u>Administration of Justice</u>							
Circuit Court	276,414	0	0	276,414	249,488	280,342	3,928
General Sessions Court	124,994	0	0	124,994	125,543	125,543	549
Drug Court	8,797	0	0	8,797	12,900	12,900	4,103
Chancery Court	117,208	0	632	117,840	108,317	120,602	2,762
<u>Public Safety</u>							
Sheriff's Department	892,699	(3,640)	0	889,059	963,932	961,780	72,721
Traffic Control	107,105	0	810	107,915	27,131	136,293	28,378
Administration of the Sexual Offender Registry	112	0	0	112	700	700	588
Jail	713,827	(636)	0	713,191	618,990	758,393	45,202
Juvenile Services	73,352	(770)	185	72,767	79,392	79,392	6,625
Fire Prevention and Control	1,329,733	(79,600)	1,872	1,252,005	812,930	1,258,753	6,748
Civil Defense	133,307	0	0	133,307	62,133	145,728	12,421
Disaster Relief	398,912	0	0	398,912	0	400,000	1,088
Public Safety Grant Programs	0	0	0	0	500	500	500
Other Public Safety	241,865	(17,196)	0	224,669	213,121	238,121	13,452
<u>Public Health and Welfare</u>							
Local Health Center	102,062	0	0	102,062	106,580	106,580	4,518
Rabies and Animal Control	22,779	0	0	22,779	50,000	50,000	27,221
Ambulance/Emergency Medical Services	50,957	0	270,175	321,132	226,000	321,175	43
Alcohol and Drug Programs	1,000	0	0	1,000	1,000	1,000	0
Crippled Children Services	2,005	0	0	2,005	2,005	2,005	0
General Welfare Assistance	1,000	0	0	1,000	1,000	1,000	0
Other Local Welfare Services	7,446	0	0	7,446	7,500	7,500	54
Sanitation Education/Information	93,787	0	0	93,787	91,684	95,398	1,611

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	\$ 45,610	\$ 0	\$ 0	\$ 45,610	\$ 44,923	\$ 46,123	\$ 513
Libraries	185,395	(1,055)	0	184,340	176,776	185,710	1,370
Other Social, Cultural, and Recreational Agriculture and Natural Resources	17,000	0	0	17,000	19,500	19,500	2,500
Agriculture Extension Service	62,867	0	0	62,867	71,202	71,202	8,335
Forest Service	1,000	0	0	1,000	1,000	1,000	0
Soil Conservation	22,761	0	0	22,761	22,761	22,761	0
Flood Control	37,985	0	0	37,985	38,000	38,000	15
Other Agriculture and Natural Resources Other Operations	3,312	0	0	3,312	4,745	4,745	1,433
Tourism	232,000	(21,926)	0	210,074	160,000	216,600	6,526
Tourism-Resort District	60,864	0	20,295	81,159	100,000	100,000	18,841
Industrial Development	58,147	0	0	58,147	60,200	60,200	2,053
Other Economic and Community Development	14,251	0	0	14,251	14,783	15,420	1,169
Airport	67,500	0	0	67,500	67,500	67,500	0
Veterans' Services	39,030	0	200	39,230	40,842	40,842	1,612
Other Charges	200,060	0	0	200,060	198,575	200,575	515
Contributions to Other Agencies	15,500	0	0	15,500	15,500	15,500	0
Employee Benefits	955,345	0	0	955,345	1,004,611	999,661	44,316
Miscellaneous	5,358	0	0	5,358	8,300	6,300	942
<u>Principal on Debt</u>							
General Government	160,958	(27,023)	28,555	162,490	0	165,773	3,283
<u>Interest on Debt</u>							
General Government	60,868	(3,151)	1,621	59,338	0	61,400	2,062
Total Expenditures	\$ 8,568,942	\$ (237,419)	\$ 329,759	\$ 8,661,282	\$ 7,384,297	\$ 9,032,737	\$ 371,455

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Excess (Deficiency) of Revenues Over Expenditures	\$ 266,743	\$ 237,419	\$ (329,759)	\$ 174,403	\$ 848,360	\$ (1,005,683)	\$ 1,180,086
<u>Other Financing Sources (Uses)</u>							
Capital Leases Issued	\$ 520,758	\$ 0	\$ 0	\$ 520,758	\$ 0	\$ 520,758	\$ 0
Insurance Recovery	6,481	0	0	6,481	0	6,481	0
Transfers In	27,953	0	0	27,953	27,953	27,953	0
Transfers Out	(530,284)	0	0	(530,284)	(430,234)	(530,285)	1
Total Other Financing Sources (Uses)	\$ 24,908	\$ 0	\$ 0	\$ 24,908	\$ (402,281)	\$ 24,907	\$ 1
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ 291,651	\$ 237,419	\$ (329,759)	\$ 199,311	\$ 446,079	\$ (460,018)	\$ 659,329
	4,185,001	(237,419)	0	3,947,582	3,674,923	3,674,923	272,659
Fund Balance, June 30, 2008	\$ 4,476,652	\$ 0	\$ (329,759)	\$ 4,146,893	\$ 4,121,002	\$ 3,214,905	\$ 931,988

Exhibit F-2

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 544,412	\$ 624,079	\$ 624,079	\$ (79,667)
Other Local Revenues	47,871	100,000	100,000	(52,129)
State of Tennessee	2,412,658	2,144,179	2,382,078	30,580
Federal Government	29,627	0	29,627	0
Total Revenues	<u>\$ 3,034,568</u>	<u>\$ 2,868,258</u>	<u>\$ 3,135,784</u>	<u>\$ (101,216)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 231,383	\$ 250,975	\$ 250,975	\$ 19,592
Highway and Bridge Maintenance	1,018,281	1,107,399	1,107,399	89,118
Operation and Maintenance of Equipment	361,872	384,970	384,970	23,098
Other Charges	199,358	351,177	228,500	29,142
Employee Benefits	355,907	403,800	403,800	47,893
Capital Outlay	1,404,211	1,143,500	1,457,090	52,879
<u>Principal on Debt</u>				
Highways and Streets	19,980	0	19,980	0
<u>Interest on Debt</u>				
Highways and Streets	4,184	0	4,184	0
Total Expenditures	<u>\$ 3,595,176</u>	<u>\$ 3,641,821</u>	<u>\$ 3,856,898</u>	<u>\$ 261,722</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (560,608)</u>	<u>\$ (773,563)</u>	<u>\$ (721,114)</u>	<u>\$ 160,506</u>
<u>Other Financing Sources (Uses)</u>				
Bonds Issued	\$ 0	\$ 800,000	\$ 0	\$ 0
Capital Leases Issued	70,228	0	70,228	0
Transfers In	800,000	0	800,000	0
Transfers Out	(189,841)	0	(225,677)	35,836
Total Other Financing Sources (Uses)	<u>\$ 680,387</u>	<u>\$ 800,000</u>	<u>\$ 644,551</u>	<u>\$ 35,836</u>
Net Change in Fund Balance	\$ 119,779	\$ 26,437	\$ (76,563)	\$ 196,342
Fund Balance, July 1, 2007	242,451	710,887	710,887	(468,436)
Fund Balance, June 30, 2008	<u>\$ 362,230</u>	<u>\$ 737,324</u>	<u>\$ 634,324</u>	<u>\$ (272,094)</u>

Exhibit F-3

Hardin County, Tennessee
Schedule of Funding Progress – Pension Plan
June 30, 2008

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-07	\$ 13,127	\$ 14,999	\$ 1,872	87.52 %	\$ 5,865	31.92 %

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method was a change made during the year; therefore, only the most current year is presented.

Exhibit F-4

Hardin County, Tennessee
Schedule of Funding Progress – Pension Plan
Discretely Presented Hardin County Medical Center
June 30, 2008

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-07	\$ 22,524	\$ 26,378	\$ 3,854	85.39 %	\$ 9,564	40.30 %
6-30-05	18,746	20,004	1,258	93.71	7,901	15.92
6-30-03	16,631	18,049	1,418	92.14	6,795	20.87

Exhibit F-5

Hardin County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Primary Government and Discretely Presented Hardin County School Department
June 30, 2008

(Dollar amounts in thousands)

	Actuarial Valuation Date *	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll (b-a)/c
		(a)	(b)	(b)-(a)	(a/b)	(c)	
Local Government Group Plan	6-30-07	\$ 0	\$ 419	\$ 419	0 %	\$ 3,379	12 %
Local Education Group Plan	6-30-07	0	8,846	8,846	0	14,125	63

*Data not available for two preceding years.

HARDIN COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2008

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

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, Beer Board, County Mayor, etc.). Management may make revisions within major categories, but only the 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. A LEASE-PURCHASE AGREEMENT WAS NOT AUTHORIZED BY THE COUNTY COMMISSION

The Highway Department entered into a lease-purchase agreement (three years at \$70,228) for a backhoe without the approval of the County Commission.

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

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Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

Capital Projects Fund

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for debt issued by Hardin County that is subsequently contributed to the discretely presented Hardin County School Department for school construction.

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Exhibit G-1

Hardin County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Solid Waste/ Sanitation	Drug Control	Constitu - tional Officers - Fees	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 356	\$ 356
Equity in Pooled Cash and Investments	204,314	50,443	0	254,757
Accounts Receivable	109,273	0	0	109,273
Due from Other Governments	144,025	0	0	144,025
Total Assets	<u>\$ 457,612</u>	<u>\$ 50,443</u>	<u>\$ 356</u>	<u>\$ 508,411</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accrued Payroll	\$ 10,952	\$ 714	\$ 0	\$ 11,666
Payroll Deductions Payable	796	55	0	851
Due to Other Funds	0	0	356	356
Other Deferred Revenues	103,502	0	0	103,502
Total Liabilities	<u>\$ 115,250</u>	<u>\$ 769</u>	<u>\$ 356</u>	<u>\$ 116,375</u>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 7,894	\$ 0	\$ 0	\$ 7,894
Reserved for Purchase of Electronic Fingerprint Imaging System	0	5,000	0	5,000
Unreserved	334,468	44,674	0	379,142
Total Fund Balances	<u>\$ 342,362</u>	<u>\$ 49,674</u>	<u>\$ 0</u>	<u>\$ 392,036</u>
Total Liabilities and Fund Balances	<u>\$ 457,612</u>	<u>\$ 50,443</u>	<u>\$ 356</u>	<u>\$ 508,411</u>

Exhibit G-2

Hardin County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	Special Revenue Funds				Capital Projects Fund		Total Nonmajor Governmental Funds
	Solid Waste/Sanitation	Drug Control	Constitutional Officers - Fees	Total	Education Capital Projects		
<u>Revenues</u>							
Local Taxes	\$ 935,193	\$ 0	\$ 0	\$ 935,193	\$ 0	\$ 0	\$ 935,193
Fines, Forfeitures, and Penalties	0	30,402	0	30,402	0	0	30,402
Charges for Current Services	238,767	0	7,704	246,471	0	0	246,471
Other Local Revenues	12,471	1,161	0	13,632	0	0	13,632
State of Tennessee	62,282	750	0	63,032	0	0	63,032
Other Governments and Citizens Groups	7,243	0	0	7,243	0	0	7,243
Total Revenues	\$ 1,255,956	\$ 32,313	\$ 7,704	\$ 1,295,973	\$ 0	\$ 0	\$ 1,295,973
<u>Expenditures</u>							
Current:							
Administration of Justice	\$ 0	\$ 0	\$ 7,704	\$ 7,704	\$ 0	\$ 0	\$ 7,704
Public Safety	0	26,441	0	26,441	0	0	26,441
Public Health and Welfare	1,102,900	0	0	1,102,900	0	0	1,102,900
Other Operations	150,643	10,710	0	161,353	0	0	161,353
Capital Projects	0	0	0	0	600,000	0	600,000
Total Expenditures	\$ 1,253,543	\$ 37,151	\$ 7,704	\$ 1,298,398	\$ 600,000	\$ 0	\$ 1,898,398
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,413	\$ (4,838)	\$ 0	\$ (2,425)	\$ (600,000)	\$ 0	\$ (602,425)
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 600,000	\$ 0	\$ 600,000
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 600,000	\$ 0	\$ 600,000
Net Change in Fund Balances	\$ 2,413	\$ (4,838)	\$ 0	\$ (2,425)	\$ 0	\$ 0	\$ (2,425)
Fund Balance, July 1, 2007	339,949	54,512	0	394,461	0	0	394,461
Fund Balance, June 30, 2008	\$ 342,362	\$ 49,674	\$ 0	\$ 392,036	\$ 0	\$ 0	\$ 392,036

Exhibit G-3

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 935,193	\$ 0	\$ 0	\$ 935,193	\$ 932,160	\$ 948,418	\$ (13,225)
Charges for Current Services	238,767	0	0	238,767	215,000	230,000	8,767
Other Local Revenues	12,471	0	0	12,471	0	11,985	486
State of Tennessee	62,282	0	0	62,282	42,225	64,905	(2,623)
Other Governments and Citizens Groups	7,243	0	0	7,243	5,500	8,000	(757)
Total Revenues	\$ 1,255,956	\$ 0	\$ 0	\$ 1,255,956	\$ 1,194,885	\$ 1,263,308	\$ (7,352)
<u>Expenditures</u>							
<u>Public Health and Welfare</u>							
Sanitation Management	\$ 64,714	\$ (137)	\$ 399	\$ 64,976	\$ 65,425	\$ 65,425	\$ 449
Waste Pickup	364,392	(9,785)	595	355,202	340,238	363,863	8,661
Convenience Centers	266,830	0	0	266,830	241,100	273,500	6,670
Landfill Operation and Maintenance	406,964	(36,260)	6,900	377,604	371,000	390,000	12,396
<u>Other Operations</u>							
Other Charges	51,081	0	0	51,081	56,160	56,160	5,079
Employee Benefits	99,562	0	0	99,562	104,588	104,588	5,026
Total Expenditures	\$ 1,253,543	\$ (46,182)	\$ 7,894	\$ 1,215,255	\$ 1,178,511	\$ 1,253,536	\$ 38,281
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,413	\$ 46,182	\$ (7,894)	\$ 40,701	\$ 16,374	\$ 9,772	\$ 30,929
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ 2,413	\$ 46,182	\$ (7,894)	\$ 40,701	\$ 16,374	\$ 9,772	\$ 30,929
Fund Balance, July 1, 2007	339,949	(46,182)	0	293,767	277,516	277,516	16,251
Fund Balance, June 30, 2008	\$ 342,362	\$ 0	\$ (7,894)	\$ 334,468	\$ 293,890	\$ 287,288	\$ 47,180

Exhibit G-4

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 30,402	\$ 40,000	\$ 40,000	\$ (9,598)
Other Local Revenues	1,161	0	0	1,161
State of Tennessee	750	3,520	3,520	(2,770)
Total Revenues	<u>\$ 32,313</u>	<u>\$ 43,520</u>	<u>\$ 43,520</u>	<u>\$ (11,207)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 26,441	\$ 37,921	\$ 37,921	\$ 11,480
<u>Other Operations</u>				
Other Charges	1,267	1,293	1,293	26
Employee Benefits	9,443	12,012	12,012	2,569
Total Expenditures	<u>\$ 37,151</u>	<u>\$ 51,226</u>	<u>\$ 51,226</u>	<u>\$ 14,075</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (4,838)</u>	<u>\$ (7,706)</u>	<u>\$ (7,706)</u>	<u>\$ 2,868</u>
Net Change in Fund Balance	\$ (4,838)	(7,706)	(7,706)	2,868
Fund Balance, July 1, 2007	<u>54,512</u>	<u>58,061</u>	<u>58,061</u>	<u>(3,549)</u>
Fund Balance, June 30, 2008	<u>\$ 49,674</u>	<u>\$ 50,355</u>	<u>\$ 50,355</u>	<u>\$ (681)</u>

Major Governmental Funds

Debt Service Funds

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

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

Rural Debt Service Fund – The Rural Debt Service Fund is used to account for the retirement of bonds issued for the construction and renovations of the county's schools.

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Exhibit H-1

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 194,400	\$ 187,789	\$ 187,789	\$ 6,611
Other Local Revenues	82,079	81,100	81,100	979
State of Tennessee	16,493	16,500	16,500	(7)
Other Governments and Citizens Groups	618,053	865,349	742,674	(124,621)
Total Revenues	<u>\$ 911,025</u>	<u>\$ 1,150,738</u>	<u>\$ 1,028,063</u>	<u>\$ (117,038)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 627,967	\$ 477,100	\$ 633,300	\$ 5,333
Highways and Streets	105,000	55,000	105,000	0
Education	156,280	156,280	156,280	0
<u>Interest on Debt</u>				
General Government	561,662	643,363	683,588	121,926
Highways and Streets	84,841	67,677	84,842	1
Education	14,466	14,467	14,467	1
<u>Other Debt Service</u>				
General Government	42,804	50,500	50,500	7,696
Total Expenditures	<u>\$ 1,593,020</u>	<u>\$ 1,464,387</u>	<u>\$ 1,727,977</u>	<u>\$ 134,957</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (681,995)</u>	<u>\$ (313,649)</u>	<u>\$ (699,914)</u>	<u>\$ 17,919</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 720,125	\$ 430,234	\$ 720,125	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 720,125</u>	<u>\$ 430,234</u>	<u>\$ 720,125</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 38,130	\$ 116,585	\$ 20,211	\$ 17,919
Fund Balance, July 1, 2007	2,216,682	2,208,747	2,208,747	7,935
Fund Balance, June 30, 2008	<u>\$ 2,254,812</u>	<u>\$ 2,325,332</u>	<u>\$ 2,228,958</u>	<u>\$ 25,854</u>

Exhibit H-2

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Rural Debt Service Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 551,810	\$ 640,000	\$ 640,000	\$ (88,190)
Other Local Revenues	54,464	37,000	37,000	17,464
Other Governments and Citizens Groups	1,372,465	1,257,000	1,257,000	115,465
Total Revenues	<u>\$ 1,978,739</u>	<u>\$ 1,934,000</u>	<u>\$ 1,934,000</u>	<u>\$ 44,739</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 1,820,000	\$ 1,220,000	\$ 1,820,000	\$ 0
<u>Interest on Debt</u>				
Education	151,538	151,538	151,538	0
<u>Other Debt Service</u>				
Education	6,826	16,000	16,000	9,174
Total Expenditures	<u>\$ 1,978,364</u>	<u>\$ 1,387,538</u>	<u>\$ 1,987,538</u>	<u>\$ 9,174</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 375</u>	<u>\$ 546,462</u>	<u>\$ (53,538)</u>	<u>\$ 53,913</u>
Net Change in Fund Balance	\$ 375	\$ 546,462	\$ (53,538)	\$ 53,913
Fund Balance, July 1, 2007	<u>2,635,388</u>	<u>2,587,898</u>	<u>2,587,898</u>	<u>47,490</u>
Fund Balance, June 30, 2008	<u>\$ 2,635,763</u>	<u>\$ 3,134,360</u>	<u>\$ 2,534,360</u>	<u>\$ 101,403</u>

Fiduciary Funds

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

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

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

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Exhibit I-1

Hardin County, Tennessee

Combining Statement of Fiduciary Assets and Liabilities

Fiduciary Funds

June 30, 2008

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,159,310	\$ 1,159,310
Due from Other Governments	501,577	0	501,577
	<hr/>		
Total Assets	\$ 501,577	\$ 1,159,310	\$ 1,660,887
<hr/>			
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 501,577	\$ 0	\$ 501,577
Due to Litigants, Heirs, and Others	0	1,159,310	1,159,310
	<hr/>		
Total Liabilities	\$ 501,577	\$ 1,159,310	\$ 1,660,887
<hr/>			

Exhibit I-2

Hardin County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2008

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 2,394,960	\$ 2,394,960	\$ 0
Due from Other Governments	285,253	501,577	285,253	501,577
Total Assets	<u>\$ 285,253</u>	<u>\$ 2,896,537</u>	<u>\$ 2,680,213</u>	<u>\$ 501,577</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 285,253	\$ 2,896,537	\$ 2,680,213	\$ 501,577
Total Liabilities	<u>\$ 285,253</u>	<u>\$ 2,896,537</u>	<u>\$ 2,680,213</u>	<u>\$ 501,577</u>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,325,770	\$ 7,340,159	\$ 7,506,619	\$ 1,159,310
Total Assets	<u>\$ 1,325,770</u>	<u>\$ 7,340,159</u>	<u>\$ 7,506,619</u>	<u>\$ 1,159,310</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,325,770	\$ 7,340,159	\$ 7,506,619	\$ 1,159,310
Total Liabilities	<u>\$ 1,325,770</u>	<u>\$ 7,340,159</u>	<u>\$ 7,506,619</u>	<u>\$ 1,159,310</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 2,394,960	\$ 2,394,960	\$ 0
Cash	1,325,770	7,340,159	7,506,619	1,159,310
Due from Other Governments	285,253	501,577	285,253	501,577
Total Assets	<u>\$ 1,611,023</u>	<u>\$ 10,236,696</u>	<u>\$ 10,186,832</u>	<u>\$ 1,660,887</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 285,253	\$ 2,896,537	\$ 2,680,213	\$ 501,577
Due to Litigants, Heirs, and Others	1,325,770	7,340,159	7,506,619	1,159,310
Total Liabilities	<u>\$ 1,611,023</u>	<u>\$ 10,236,696</u>	<u>\$ 10,186,832</u>	<u>\$ 1,660,887</u>

Hardin County School Department

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

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

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

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

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

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Exhibit J-1

Hardin County, Tennessee
Statement of Activities
Discretely Presented Hardin County School Department
For the Year Ended June 30, 2008

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	
Component Unit:				
Governmental Activities:				
Instruction	\$ 17,625,663	\$ 48,599	\$ 1,793,392	\$ (15,783,672)
Support Services	9,238,065	55,022	590,384	(7,992,659)
Operation of Non-Instructional Services	2,962,929	719,428	1,798,959	(444,542)
Interest on Long-term Debt	11,940	0	0	(11,940)
Other Debt Service	1,543,212	0	0	(1,543,212)
Total Governmental Activities	\$ 31,381,809	\$ 823,049	\$ 4,182,735	\$ (25,776,025)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 5,422,615
Local Option Sales Taxes				3,609,958
Other Local Taxes				4,029
Grants and Contributions Not Restricted to Specific Programs				16,956,066
Miscellaneous				52,496
Total General Revenues				\$ 26,045,164
Change in Net Assets				
Net Assets, July 1, 2007				\$ 269,139
Prior-period Adjustment				17,326,604
Net Assets, June 30, 2008				\$ 17,604,121

Exhibit J-2

Hardin County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Hardin County School Department
June 30, 2008

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General Purpose School</u>	<u>School Federal Projects</u>	<u>Fund Central Cafeteria Fund</u>	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 1,739,496	\$ 0	\$ 744,417	\$ 2,483,913
Accounts Receivable	19,763	0	0	19,763
Due from Other Governments	1,425,659	498,899	68,118	1,992,676
Due from Other Funds	11,325	0	0	11,325
Property Taxes Receivable	5,253,289	0	0	5,253,289
Allowance for Uncollectible Property Taxes	(249,410)	0	0	(249,410)
Total Assets	\$ 8,200,122	\$ 498,899	\$ 812,535	\$ 9,511,556
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 56,106	\$ 10,096	\$ 6	\$ 66,208
Payroll Deductions Payable	188,379	4,309	0	192,688
Cash Overdraft	0	176,661	0	176,661
Due to Other Funds	0	11,325	0	11,325
Due to Primary Government	131,521	0	0	131,521
Deferred Revenue - Current Property Taxes	4,752,777	0	0	4,752,777
Deferred Revenue - Delinquent Property Taxes	229,519	0	0	229,519
Other Deferred Revenues	348,545	0	0	348,545
Total Liabilities	\$ 5,706,847	\$ 202,391	\$ 6	\$ 5,909,244
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 0	\$ 7,961	\$ 0	\$ 7,961
Other Local Education Reserves	36,400	0	0	36,400
Reserved for Capital Outlay	600,000	0	0	600,000
Reserved for Career Ladder - Extended Contract	24,063	0	0	24,063
Reserved for Career Ladder Program	26,930	0	0	26,930
Reserved for Title I Grants to Local Education Agencies	0	92,536	0	92,536
Reserved for Innovative Education Program Strategies	0	23,258	0	23,258
Reserved for Special Education - Grants to States	0	90,986	0	90,986
Other Federal Reserves	0	81,767	0	81,767
Unreserved, Reported In:				
General Fund	1,805,882	0	0	1,805,882
Special Revenue Funds	0	0	812,529	812,529
Total Fund Balances	\$ 2,493,275	\$ 296,508	\$ 812,529	\$ 3,602,312
Total Liabilities and Fund Balances	\$ 8,200,122	\$ 498,899	\$ 812,535	\$ 9,511,556

Exhibit J-3

Hardin County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
Discretely Presented Hardin County School Department
June 30, 2008

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)		\$	3,602,312
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	904,172	
Add: buildings and improvements net of accumulated depreciation		12,960,749	
Add: other capital assets net of accumulated depreciation		<u>718,557</u>	14,583,478
(2) Internal service funds are used by management to charge the costs of employee insurance benefits to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.			2,741
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: capital leases payable	\$	(17,980)	
Less: compensated absences payable		(403,661)	
Less: other postemployment benefits		<u>(740,833)</u>	(1,162,474)
(4) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>578,064</u>
Net assets of governmental activities (Exhibit A)		\$	<u>17,604,121</u>

Exhibit J-4

Hardin County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Hardin County School Department
For the Year Ended June 30, 2008

	Major Funds		Nonmajor	Total
	General Purpose School	School Federal Projects	Fund Central Cafeteria Fund	
<u>Revenues</u>				
Local Taxes	\$ 9,021,961	\$ 0	\$ 0	\$ 9,021,961
Licenses and Permits	1,624	0	0	1,624
Charges for Current Services	32,049	0	710,559	742,608
Other Local Revenues	69,824	0	21,631	91,455
State of Tennessee	16,415,688	0	0	16,415,688
Federal Government	132,656	3,240,736	1,119,928	4,493,320
Other Governments and Citizens Groups	600,000	0	0	600,000
Total Revenues	<u>\$ 26,273,802</u>	<u>\$ 3,240,736</u>	<u>\$ 1,852,118</u>	<u>\$ 31,366,656</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 14,056,218	\$ 2,163,917	\$ 0	\$ 16,220,135
Support Services	7,956,749	959,979	0	8,916,728
Operation of Non-Instructional Services	937,375	0	1,830,638	2,768,013
Debt Service:				
Principal on Debt	52,779	0	0	52,779
Interest on Debt	12,912	0	0	12,912
Other Debt Service	1,543,212	0	0	1,543,212
Total Expenditures	<u>\$ 24,559,245</u>	<u>\$ 3,123,896</u>	<u>\$ 1,830,638</u>	<u>\$ 29,513,779</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,714,557</u>	<u>\$ 116,840</u>	<u>\$ 21,480</u>	<u>\$ 1,852,877</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 11,125	\$ 0	\$ 0	\$ 11,125
Total Other Financing Sources (Uses)	<u>\$ 11,125</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,125</u>
Net Change in Fund Balances	\$ 1,725,682	\$ 116,840	\$ 21,480	\$ 1,864,002
Fund Balance, July 1, 2007	<u>767,593</u>	<u>179,668</u>	<u>791,049</u>	<u>1,738,310</u>
Fund Balance, June 30, 2008	<u>\$ 2,493,275</u>	<u>\$ 296,508</u>	<u>\$ 812,529</u>	<u>\$ 3,602,312</u>

Exhibit J-5

Hardin County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Hardin County School Department
For the Year Ended June 30, 2008

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)		\$ 1,864,002
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these 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	\$ 155,579	
Less: current year depreciation expense	<u>(1,138,678)</u>	(983,099)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net assets.		
Add: assets donated and capitalized		9,536
(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, 2008	\$ 578,064	
Less: deferred delinquent property taxes and other deferred June 30, 2007	<u>(502,243)</u>	75,821
(4) The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items.		
Add: principal payments on notes	\$ 48,595	
Add: principal payments on capital leases	<u>4,184</u>	52,779
(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	\$ 972	
Change in compensated absences payable	(8,506)	
Change in other postemployment benefits	<u>(740,833)</u>	(748,367)
(6) Internal service funds are used by management to charge the costs of employee insurance benefits to individual funds. The net revenue (expense) of certain activities of internal service funds is reported with governmental activities in the statement of activities.		<u>(1,533)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 269,139</u>

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Hardin County School Department
General Purpose School Fund
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 9,021,961	\$ 0	\$ 9,021,961	\$ 8,797,440	\$ 8,797,440	\$ 224,521
Licenses and Permits	1,624	0	1,624	1,500	1,500	124
Charges for Current Services	32,049	0	32,049	20,100	20,100	11,949
Other Local Revenues	69,824	0	69,824	26,800	61,559	8,265
State of Tennessee	16,415,688	0	16,415,688	15,626,046	15,966,008	449,680
Federal Government	132,656	0	132,656	110,138	82,337	50,319
Other Governments and Citizens Groups	600,000	0	600,000	0	600,000	0
Total Revenues	\$ 26,273,802	\$ 0	\$ 26,273,802	\$ 24,582,024	\$ 25,528,944	\$ 744,858
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 11,383,319	\$ 0	\$ 11,383,319	\$ 11,910,009	\$ 11,544,866	\$ 161,547
Alternative Instruction Program	139,394	0	139,394	131,058	140,995	1,601
Special Education Program	1,548,520	0	1,548,520	1,554,444	1,578,081	29,561
Vocational Education Program	939,131	0	939,131	938,896	948,603	9,472
Adult Education Program	45,854	0	45,854	68,144	68,144	22,290
<u>Support Services</u>						
Attendance	86,684	0	86,684	91,191	91,191	4,507
Health Services	147,902	0	147,902	159,718	159,718	11,816
Other Student Support	964,751	0	964,751	881,181	973,473	8,722
Regular Instruction Program	968,989	(458)	968,531	1,013,269	994,091	25,560
Alternative Instruction Program	2,312	0	2,312	0	2,363	51
Special Education Program	173,016	0	173,016	194,903	194,903	21,887
Vocational Education Program	94,971	0	94,971	101,847	101,847	6,876
Adult Programs	66,823	0	66,823	69,317	69,317	2,494
Other Programs	109,710	0	109,710	0	109,710	0

(Continued)

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Support Services (Cont.)</u>						
Board of Education	\$ 554,667	\$ 0	\$ 554,667	\$ 519,462	\$ 541,704	\$ (12,963)
Director of Schools	186,027	0	186,027	203,598	193,572	7,545
Office of the Principal	1,289,076	0	1,289,076	1,072,047	1,254,001	(35,075)
Fiscal Services	127,424	0	127,424	127,660	127,660	236
Operation of Plant	1,854,031	0	1,854,031	1,826,613	1,928,316	74,285
Maintenance of Plant	401,134	0	401,134	376,745	406,374	5,240
Transportation	929,232	0	929,232	957,176	1,000,330	71,098
<u>Operation of Non-Instructional Services</u>						
Food Service	421,647	0	421,647	419,726	424,515	2,868
Early Childhood Education	515,728	(976)	514,752	411,679	518,204	3,452
Capital Outlay						
Regular Capital Outlay	0	0	0	0	600,000	600,000
Principal on Debt						
Education	52,779	0	52,779	48,594	52,779	0
Interest on Debt						
Education	12,912	0	12,912	14,747	15,732	2,820
<u>Other Debt Service</u>						
Education						
Total Expenditures	1,543,212	0	1,543,212	1,490,000	1,490,000	(53,212)
	\$ 24,559,245	\$ (1,434)	\$ 24,557,811	\$ 24,582,024	\$ 25,530,489	\$ 972,678
<u>Excess (Deficiency) of Revenues</u>						
Over Expenditures	\$ 1,714,557	\$ 1,434	\$ 1,715,991	\$ 0	\$ (1,545)	\$ 1,717,536
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 11,125	\$ 0	\$ 11,125	\$ 0	\$ 5,104	\$ 6,021
Total Other Financing Sources (Uses)	\$ 11,125	\$ 0	\$ 11,125	\$ 0	\$ 5,104	\$ 6,021
Net Change in Fund Balance	\$ 1,725,682	\$ 1,434	\$ 1,727,116	\$ 0	\$ 3,559	\$ 1,723,557
Fund Balance, July 1, 2007	767,593	(1,434)	766,159	469,023	469,023	297,136
Fund Balance, June 30, 2008	\$ 2,493,275	\$ 0	\$ 2,493,275	\$ 469,023	\$ 472,582	\$ 2,020,693

Exhibit J-7

Hardin County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 Discretely Presented Hardin County School Department
 School Federal Projects Fund
 For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 3,240,736 \$	0 \$	0 \$	\$ 3,240,736 \$	\$ 3,358,061 \$	\$ 3,550,665 \$	\$ (309,929)
Total Revenues	\$ 3,240,736 \$	0 \$	0 \$	\$ 3,240,736 \$	\$ 3,358,061 \$	\$ 3,550,665 \$	\$ (309,929)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 1,554,846 \$	(1,571) \$	5,299 \$	\$ 1,558,574 \$	\$ 1,781,553 \$	\$ 1,893,734 \$	\$ 335,160
Special Education Program	525,475	0	0	525,475	582,283	643,663	118,188
Vocational Education Program	83,596	(10,957)	2,380	75,019	61,398	74,990	(29)
<u>Support Services</u>							
Other Student Support	65,164	0	0	65,164	89,644	80,276	15,112
Regular Instruction Program	666,676	0	282	666,958	643,511	761,456	94,498
Special Education Program	204,581	0	0	204,581	218,735	233,467	28,886
Vocational Education Program	1,335	0	0	1,335	1,400	1,400	65
Transportation	22,223	0	0	22,223	0	28,820	6,597
Total Expenditures	\$ 3,123,896 \$	(12,528) \$	7,961 \$	\$ 3,119,329 \$	\$ 3,378,524 \$	\$ 3,717,806 \$	\$ 598,477
Excess (Deficiency) of Revenues Over Expenditures	\$ 116,840 \$	12,528 \$	(7,961) \$	121,407 \$	(20,463) \$	(167,141) \$	288,548
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ 116,840 \$	12,528 \$	(7,961) \$	121,407 \$	(20,463) \$	(167,141) \$	288,548
	179,668	(12,528)	0	167,140	167,141	167,141	(1)
Fund Balance, June 30, 2008	\$ 296,508 \$	0 \$	(7,961) \$	288,547 \$	146,678 \$	0 \$	288,547

Exhibit J-8

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Hardin County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 710,559	\$ 789,000	\$ 789,000	\$ (78,441)
Other Local Revenues	21,631	10,000	10,000	11,631
Federal Government	1,119,928	1,090,000	1,090,000	29,928
Total Revenues	<u>\$ 1,852,118</u>	<u>\$ 1,889,000</u>	<u>\$ 1,889,000</u>	<u>\$ (36,882)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,830,638	\$ 2,112,231	\$ 2,112,231	\$ 281,593
Total Expenditures	<u>\$ 1,830,638</u>	<u>\$ 2,112,231</u>	<u>\$ 2,112,231</u>	<u>\$ 281,593</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 21,480</u>	<u>\$ (223,231)</u>	<u>\$ (223,231)</u>	<u>\$ 244,711</u>
Net Change in Fund Balance	\$ 21,480	\$ (223,231)	\$ (223,231)	\$ 244,711
Fund Balance, July 1, 2007	<u>791,049</u>	<u>773,667</u>	<u>773,667</u>	<u>17,382</u>
Fund Balance, June 30, 2008	<u>\$ 812,529</u>	<u>\$ 550,436</u>	<u>\$ 550,436</u>	<u>\$ 262,093</u>

Exhibit J-9

Hardin County, Tennessee
Statement of Net Assets
Discretely Presented Hardin County School Department
Proprietary Fund
June 30, 2008

Governmental
 Activities -
 Internal
 Service

 Employee
 Insurance

ASSETS

Current Assets:

Equity in Pooled Cash and Investments	\$ 9,614
Total Assets	<u>\$ 9,614</u>

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 6,873
Total Liabilities	<u>\$ 6,873</u>

NET ASSETS

Unrestricted	<u>\$ 2,741</u>
Total Net Assets	<u><u>\$ 2,741</u></u>

Exhibit J-10

Hardin County, Tennessee
Statement of Revenues, Expenses, and Changes in Net Assets
Discretely Presented Hardin County School Department
Proprietary Fund
For the Year Ended June 30, 2008

	Governmental Activities - Internal Service
	<u>Employee Insurance</u>
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
Self-Insurance Premiums/Contributions	\$ 235,870
Total Operating Revenues	<u>\$ 235,870</u>
<u>Operating Expenses</u>	
<u>Employee Benefits</u>	
Handling Charges and Administrative Costs	\$ 18,604
Medical Claims	218,799
Total Operating Expenses	<u>\$ 237,403</u>
Operating Income (Loss)	<u>\$ (1,533)</u>
Change in Net Assets	\$ (1,533)
Net Assets, July 1, 2007	<u>4,274</u>
Net Assets, June 30, 2008	<u><u>\$ 2,741</u></u>

Exhibit J-11

Hardin County, Tennessee
Statement of Cash Flows
Discretely Presented Hardin County School Department
Proprietary Fund
For the Year Ended June 30, 2008

	Governmental Activities - Internal Service
	<u>Employee Insurance</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from Self-Insurance Premiums	\$ 235,870
Payments to Fiscal Agents	(18,604)
Payments for Claims	(218,725)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (1,459)</u>
Increase (Decrease) in Cash	\$ (1,459)
Cash, July 1, 2007	<u>11,073</u>
Cash, June 30, 2008	<u><u>\$ 9,614</u></u>
<u>Reconciliation of Operating Income (Loss)</u> <u>to Net Cash Provided By (Used In) Operating Activities</u>	
Operating Income (Loss)	\$ (1,533)
Adjustments to Reconcile Net Operating Income to Net Cash Provided By (Used In) Operating Activities:	
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Payable	<u>74</u>
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ (1,459)</u></u>

MISCELLANEOUS SCHEDULES

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Exhibit K-1

Hardin County, Tennessee
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds
Primary Government and Discretely Presented Hardin County School Department
For the Year Ended June 30, 2008

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-07	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-08
PRIMARY GOVERNMENT								
NOTES PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Jackson State Community College Facility	\$ 750,000	4 to 5.2%	7-2-1997	3-1-09	\$ 155,000	\$ 0	\$ 75,000	\$ 80,000
School Bus, Series 1999	875,000	4.25 to 5.3	10-1-1999	10-1-07	105,000	0	105,000	0
School Buses, Series 2006	256,400	4.98	10-2-06	10-1-11	256,400	0	51,280	205,120
Front Loader Truck, Series 2006	144,300	4.34	11-15-06	11-15-09	144,300	0	144,300	0
Fire Alarm System, Series 2007	44,000	4.30	6-15-07	6-15-10	44,000	0	14,667	29,333
Total Payable through General Debt Service Fund					\$ 704,700	\$ 0	\$ 390,247	\$ 314,453
<u>Payable through Rural Debt Service Fund</u>								
General Obligation Capital Outlay Note	600,000	0	5-1-08	6-1-08	\$ 0	\$ 600,000	\$ 600,000	\$ 0
Total Notes Payable					\$ 704,700	\$ 600,000	\$ 990,247	\$ 314,453
CAPITAL LEASES PAYABLE								
<u>Payable through General Fund</u>								
Rescue Squad Truck	116,588	4.95	7-16-02	7-16-12	\$ 76,573	\$ 0	\$ 11,272	\$ 65,301
Fire Trucks	427,788	4.75	6-6-03	6-6-13	280,027	0	41,429	238,598
Fire Trucks	429,882	4.75	11-21-05	11-21-15	374,633	0	37,092	337,541
Sheriff Department Vehicles	85,753	5.67	10-10-06	10-10-08	55,578	0	27,023	28,555
Fire Trucks	495,000	5.38	7-31-07	7-31-17	0	495,000	35,138	459,862
2008 Ford Expedition	25,758	4.95	4-2-08	4-2-10	0	25,758	9,004	16,754
Total Payable through General Fund					\$ 786,811	\$ 520,758	\$ 160,958	\$ 1,146,611
<u>Payable through Highway/Public Works Fund</u>								
Backhoe	70,228	8.35	9-13-07	8-13-10	\$ 0	\$ 70,228	\$ 19,980	\$ 50,248
Total Capital Leases Payable					\$ 786,811	\$ 590,986	\$ 180,938	\$ 1,196,859

(Continued)

Exhibit K-1

Hardin County, Tennessee
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds
Primary Government and Discretely Presented Hardin County School Department (Cont.)

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-07	Issued During Period	Paid and/or	
							Matured During Period	Outstanding 6-30-08
<u>PRIMARY GOVERNMENT (CONT.)</u>								
<u>BONDS PAYABLE</u>								
Payable through General Debt Service Fund								
General Obligation Bonds, Series 2007	\$ 8,600,000	3.875 to 4.125 %	5-10-07	6-1-37	\$ 8,600,000	\$ 0	\$ 185,000	\$ 8,415,000
General Obligation Bonds, Series 2008	5,000,000	3.85	2-14-08	6-1-37	0	5,000,000	110,000	4,890,000
Total Payable through General Debt Service Fund					\$ 8,600,000	\$ 5,000,000	\$ 295,000	\$ 13,305,000
Payable through Rural Debt Service Fund								
School Refunding Bonds, Series 2002	9,865,000	2 to 3.75	12-17-02	6-1-11	4,540,000	0	1,220,000	3,320,000
Total Bonds Payable					\$ 13,140,000	\$ 5,000,000	\$ 1,515,000	\$ 16,625,000
<u>DISCRETELY PRESENTED HARDIN COUNTY SCHOOL DEPARTMENT</u>								
<u>NOTES PAYABLE</u>								
Payable through General Purpose School Fund								
Energy Efficiency Loan	311,836	3	10-2-00	11-2-07	\$ 48,595	\$ 0	\$ 48,595	\$ 0
Total Notes Payable					\$ 48,595	\$ 0	\$ 48,595	\$ 0
<u>CAPITAL LEASES PAYABLE</u>								
Payable through General Purpose School Fund								
2007 Dodge Ram 2500	24,362	5.3	1-10-07	2-10-12	\$ 22,164	\$ 0	\$ 4,184	\$ 17,980
Total Capital Leases Payable					\$ 22,164	\$ 0	\$ 4,184	\$ 17,980

Exhibit K-2

Hardin County, Tennessee

Schedule of Long-term Debt Requirements by Year

Primary Government and Discretely Presented Hardin County School Department

PRIMARY GOVERNMENT

Year Ending June 30	Note Principal	Note Interest	Total Note Requirements
2009	\$ 145,947	\$ 14,487	\$ 160,434
2010	65,946	7,107	73,053
2011	51,280	3,888	55,168
2012	51,280	1,298	52,578
Total	\$ 314,453	\$ 26,780	\$ 341,233

Year Ending June 30	Capital Lease Principal	Capital Lease Interest	Total Note Requirements
2009	\$ 192,247	\$ 59,087	\$ 251,334
2010	174,675	48,680	223,355
2011	152,687	39,698	192,385
2012	155,799	32,191	187,990
2013	163,637	24,354	187,991
2014	102,078	16,121	118,199
2015	107,382	10,817	118,199
2016	81,032	5,616	86,648
2017	62,004	2,108	64,112
2018	5,318	25	5,343
Total	\$ 1,196,859	\$ 238,697	\$ 1,435,556

Year Ending June 30	Bond Principal	Bond Interest	Total Bond Requirements
2009	\$ 1,570,000	\$ 643,434	\$ 2,213,434
2010	1,625,000	590,264	2,215,264
2011	1,090,000	531,976	1,621,976
2012	340,000	490,466	830,466
2013	355,000	477,054	832,054
2014	370,000	463,056	833,056
2015	380,000	448,466	828,466
2016	395,000	433,484	828,484
2017	410,000	417,909	827,909

(Continued)

Exhibit K-2

Hardin County, Tennessee

Schedule of Long-term Debt Requirements by Year (Cont.)

Primary Government and Discretely Presented Hardin County School Department (Cont.)

PRIMARY GOVERNMENT (Cont.)

Year Ending June 30	Bond Principal	Bond Interest	Total Bond Requirements
2018	\$ 425,000	\$ 402,061	\$ 827,061
2019	445,000	385,632	830,632
2020	465,000	368,365	833,365
2021	480,000	350,177	830,177
2022	495,000	331,403	826,403
2023	520,000	311,735	831,735
2024	540,000	291,075	831,075
2025	560,000	269,625	829,625
2026	585,000	247,375	832,375
2027	640,000	224,133	864,133
2028	410,000	198,743	608,743
2029	425,000	182,282	607,282
2030	440,000	165,208	605,208
2031	460,000	147,530	607,530
2032	480,000	129,058	609,058
2033	500,000	109,697	609,697
2034	520,000	89,526	609,526
2035	545,000	68,558	613,558
2036	565,000	46,585	611,585
2037	590,000	23,801	613,801
Total	\$ 16,625,000	\$ 8,838,678	\$ 25,463,678

DISCRETELY PRESENTED HARDIN COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Capital Lease Principal	Capital Lease Interest	Total Capital Lease Requirements
2009	\$ 4,802	\$ 838	\$ 5,640
2010	5,063	577	5,640
2011	5,338	302	5,640
2012	2,777	43	2,820
Total	\$ 17,980	\$ 1,760	\$ 19,740

Exhibit K-3

Hardin County, Tennessee
Schedule of Investments
June 30, 2008

<u>Fund and Type</u>	<u>Amount</u>
<u>General Capital Projects Fund</u>	
Sevier County Tennessee Public Building Authority Bonds	<u>\$ 1,815,000</u>
Total Investments	<u><u>\$ 1,815,000</u></u>

Exhibit K-4

Hardin County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2008

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	General Debt Service	Debt retirement	\$ 530,284
Highway/Public Works	General Debt Service	Debt retirement	189,841
General Capital Projects	General	Salary and benefits for construction manager	27,953
General Capital Projects	Highway/Public Works	Highway construction	800,000
Total Transfers			<u>\$ 1,548,078</u>

Hardin County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Hardin County School Department
For the Year Ended June 30, 2008

Official	Authorization for Salary	\$	Salary Paid During Period	(1)	\$	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u> , and Chapter 113, Private Acts of 1929, as amended	67,996	67,996	(1)	50,000	CNA Surety Company	
Highway Commissioner	Section 8-24-102, <u>TCA</u>	64,760	64,760		100,000	"	
Director of Schools	State Board of Education and Hardin County Board of Education	84,021	84,021	(2)	100,000	Western Surety Company	
Trustee	Section 8-24-102, <u>TCA</u>	58,871	58,871		877,000	"	
Assessor of Property	Section 8-24-102, <u>TCA</u>	58,871	58,871		10,000	"	
County Clerk	Section 8-24-102, <u>TCA</u>	58,871	58,871		50,000	CNA Surety Company	
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	58,871	58,871		50,000	"	
Clerk and Master	Section 8-24-102, <u>TCA</u>	58,871	58,871	(3)	105,000	Western Surety Company	
Register	Section 8-24-102, <u>TCA</u>	58,871	58,871		25,000	CNA Surety Company	
Sheriff	Section 8-24-102, <u>TCA</u>	64,759	64,759		25,000	"	
Employee Blanket Bonds:							
Office of County Mayor:							
Accounting and Budget Director					10,000	Western Surety Company	
All Other Employees					5,000	"	
Office of Highway Commissioner					5,000	"	
Office of Director of Schools					150,000	Tennessee Risk Management Trust	

(1) Does not include a vehicle allowance of \$6,500 and \$1,224 for serving as secretary to the Highway Commission.

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

(3) Does not include special commissioner fees of \$7,704.

Exhibit K-6

Hardin County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2008

	Special Revenue Funds							Debt Service Funds			Capital Projects Fund
	General	Solid Waste/ Sanitation	Drug Control	Constitutional Officers - Fees	Highway/ Public Works	General Debt Service	Rural Debt Service	General Debt Service	Rural Debt Service	General Capital Projects	Total
<u>Local Taxes</u>											
<u>County Property Taxes</u>											
Current Property Tax	\$ 3,512,536	\$ 0	\$ 0	\$ 0	\$ 318,340	\$ 178,055	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,008,931
Trustee's Collections - Prior Year	132,834	0	0	0	10,064	7,583	0	0	0	0	150,481
Circuit/Clerk & Master Collections - Prior Years	66,557	0	0	0	4,720	3,740	0	0	0	0	75,017
Interest and Penalty	52,780	0	0	0	3,914	2,815	0	0	0	0	59,509
Payments in-Lieu-of Taxes - T.V.A.	1,591	0	0	0	144	81	0	0	0	0	1,816
Payments in-Lieu-of Taxes - Local Utilities	827	0	0	0	75	42	0	0	0	0	944
Payments in-Lieu-of Taxes - Other	7,461	0	0	0	675	378	0	0	0	0	8,514
<u>County Local Option Taxes</u>											
Local Option Sales Tax	0	529,614	0	0	0	0	0	0	551,810	0	1,081,424
Hotel/Motel Tax	221,131	0	0	0	0	0	0	0	0	0	221,131
Wheel Tax	985,648	0	0	0	114,897	0	0	0	0	0	1,100,545
Litigation Tax - General	118,415	0	0	0	0	0	0	0	0	0	118,415
Litigation Tax - Jail, Workhouse, or Courthouse	32,024	0	0	0	0	0	0	0	0	0	32,024
Business Tax	109,916	0	0	0	0	0	0	0	0	0	109,916
Mineral Severance Tax	0	0	0	0	88,532	0	0	0	0	0	88,532
<u>Statutory Local Taxes</u>											
Bank Excise Tax	33,660	0	0	0	3,051	1,706	0	0	0	0	38,417
Wholesale Beer Tax	0	404,130	0	0	0	0	0	0	0	0	404,130
Interstate Telecommunications Tax	0	1,449	0	0	0	0	0	0	0	0	1,449
Total Local Taxes	\$ 5,275,380	\$ 935,193	\$ 0	\$ 0	\$ 544,412	\$ 194,400	\$ 551,810	\$ 0	\$ 0	\$ 0	\$ 7,501,195
<u>Licenses and Permits</u>											
<u>Licenses</u>											
Marriage Licenses	\$ 1,624	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,624
Cable TV Franchise	72,320	0	0	0	0	0	0	0	0	0	72,320
<u>Permits</u>											
Beer Permits	6,792	0	0	0	0	0	0	0	0	0	6,792
Total Licenses and Permits	\$ 80,736	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 80,736
<u>Fines, Forfeitures, and Penalties</u>											
<u>Circuit Court</u>											
Fines	\$ 9,585	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,585

(Continued)

Exhibit K-6

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

	Special Revenue Funds					Debt Service Funds			Capital Projects Fund	Total
	General	Solid Waste/ Sanitation	Drug Control	Constitutional Officers - Fees	Highway/ Public Works	General Debt Service	Rural Debt Service	General Capital Projects		
<u>Fines, Forfeitures, and Penalties (Cont.)</u>										
<u>Circuit Court (Cont.)</u>										
Officers Costs	\$ 4,685	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	4,685	
Drug Court Fees	971	0	0	0	0	0	0	0	971	
DUI Treatment Fines	630	0	0	0	0	0	0	0	630	
Data Entry Fee - Circuit Court	396	0	0	0	0	0	0	0	396	
<u>General Sessions Court</u>										
Fines	62,638	0	0	0	0	0	0	0	62,638	
Officers Costs	58,945	0	0	0	0	0	0	0	58,945	
Game and Fish Fines	3,970	0	0	0	0	0	0	0	3,970	
Drug Control Fines	0	0	16,580	0	0	0	0	0	16,580	
Drug Court Fees	7,826	0	0	0	0	0	0	0	7,826	
Jail Fees	956	0	0	0	0	0	0	0	956	
DUI Treatment Fines	7,247	0	0	0	0	0	0	0	7,247	
Data Entry Fee - General Sessions Court	3,917	0	0	0	0	0	0	0	3,917	
Courtroom Security Fee	150	0	0	0	0	0	0	0	150	
<u>Chancery Court</u>										
Officers Costs	244	0	0	0	0	0	0	0	244	
Data Entry Fee - Chancery Court	2,080	0	0	0	0	0	0	0	2,080	
<u>Other Fines, Forfeitures, and Penalties</u>										
Proceeds from Confiscated Property	0	0	13,822	0	0	0	0	0	13,822	
Total Fines, Forfeitures, and Penalties	\$ 164,240	\$ 0	\$ 30,402	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 194,642	
<u>Charges for Current Services</u>										
<u>General Service Charges</u>										
Commercial and Industrial Waste Collection Charge	\$ 0	\$ 238,717	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	238,717	
Other General Service Charges	0	50	0	0	0	0	0	0	50	
<u>Fees</u>										
Copy Fees	122	0	0	0	0	0	0	0	122	
Telephone Commissions	9,118	0	0	0	0	0	0	0	9,118	
Constitutional Officers' Fees and Commissions	0	0	0	7,704	0	0	0	0	7,704	
Data Processing Fee - Register	14,976	0	0	0	0	0	0	0	14,976	
Data Processing Fee - Sheriff	6,478	0	0	0	0	0	0	0	6,478	
Sexual Offender Registration Fees - Sheriff	1,200	0	0	0	0	0	0	0	1,200	
Total Charges for Current Services	\$ 31,894	\$ 238,767	\$ 0	\$ 7,704	\$ 0	\$ 0	\$ 0	\$ 0	\$ 278,365	

(Continued)

Exhibit K-6

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

	Special Revenue Funds					Debt Service Funds			Capital Projects Fund	Total
	General	Solid Waste/ Sanitation	Drug Control	Constitutional Officers - Fees	Highway/ Public Works	General Debt Service	Rural Debt Service	General Capital Projects		
<u>Other Local Revenues</u>										
<u>Recurring Items</u>										
Investment Income	\$ 334,528	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 54,464	\$ 140,368	\$ 529,360	
Lease/Rentals	100,137	0	0	0	0	57,600	0	0	157,737	
Sale of Maps	2,226	0	0	0	0	0	0	0	2,226	
Miscellaneous Refunds	73,911	12,471	1,161	0	19,779	0	0	0	107,322	
<u>Nonrecurring Items</u>										
Sale of Equipment	8,751	0	0	0	22,092	0	0	0	30,843	
Sale of Property	0	0	0	0	6,000	0	0	0	6,000	
Damages Recovered from Individuals	396	0	0	0	0	0	0	0	396	
<u>Other Local Revenues</u>										
Other Local Revenues	0	0	0	0	0	24,479	0	0	24,479	
Total Other Local Revenues	\$ 519,949	\$ 12,471	\$ 1,161	\$ 0	\$ 47,871	\$ 82,079	\$ 54,464	\$ 140,368	\$ 858,363	
<u>Fees Received from County Officials</u>										
<u>Fees in-Lieu-of Salary</u>										
County Clerk	\$ 308,190	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 308,190	
Circuit Court Clerk	56,840	0	0	0	0	0	0	0	56,840	
General Sessions Court Clerk	219,703	0	0	0	0	0	0	0	219,703	
Clerk and Master	74,937	0	0	0	0	0	0	0	74,937	
Register	169,740	0	0	0	0	0	0	0	169,740	
Sheriff	7,422	0	0	0	0	0	0	0	7,422	
Trustee	370,937	0	0	0	0	0	0	0	370,937	
Total Fees Received from County Officials	\$ 1,207,769	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,207,769	
<u>State of Tennessee</u>										
<u>General Government Grants</u>										
Juvenile Services Program	\$ 9,135	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,135	
Aging Programs	23,878	0	0	0	0	0	0	0	23,878	
State Reappraisal Grant	15,093	0	0	0	0	0	0	0	15,093	
Solid Waste Grants	0	62,282	0	0	0	0	0	0	62,282	
<u>Public Safety Grants</u>										
Law Enforcement Training Programs	7,200	0	750	0	0	0	0	0	7,950	

(Continued)

Exhibit K-6

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

	Special Revenue Funds				Debt Service Funds			Capital Projects Fund	Total
	General	Solid Waste/ Sanitation	Drug Control	Constitutional Officers - Fees	Highway/ Public Works	General Debt Service	Rural Debt Service	General Capital Projects	
<u>State of Tennessee (Cont.)</u>									
<u>Public Works Grants</u>									
Bridge Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 305,188	\$ 0	\$ 0	\$ 0	\$ 305,188
State Aid Program	0	0	0	0	174,316	0	0	0	174,316
Litter Program	32,908	0	0	0	0	0	0	0	32,908
<u>Other State Revenues</u>									
Income Tax	75,518	0	0	0	0	0	0	0	75,518
Resort District Sales Tax	204,624	0	0	0	0	0	0	0	204,624
Beer Tax	19,312	0	0	0	0	0	0	0	19,312
Alcoholic Beverage Tax	48,823	0	0	0	0	0	0	0	48,823
Mixed Drink Tax	23,343	0	0	0	0	0	0	0	23,343
State Revenue Sharing - T.V.A.	325,357	0	0	0	29,487	16,493	0	0	371,337
Contracted Prisoner Boarding	32,994	0	0	0	0	0	0	0	32,994
Gasoline and Motor Fuel Tax	0	0	0	0	1,883,122	0	0	0	1,883,122
Petroleum Special Tax	0	0	0	0	20,545	0	0	0	20,545
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	16,380
Other State Grants	159,959	0	0	0	0	0	0	0	159,959
Other State Revenues	54,225	0	0	0	0	0	0	0	54,225
Total State of Tennessee	\$ 1,048,749	\$ 62,282	\$ 750	\$ 0	\$ 2,412,658	\$ 16,493	\$ 0	\$ 0	\$ 3,540,932
<u>Federal Government</u>									
<u>Federal Through State</u>									
Community Development	\$ 300,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 300,000
Disaster Relief	44,982	0	0	0	29,627	0	0	0	74,609
Homeland Security Grants	104,239	0	0	0	0	0	0	0	104,239
Other Federal through State	3,500	0	0	0	0	0	0	0	3,500
Total Federal Government	\$ 452,721	\$ 0	\$ 0	\$ 0	\$ 29,627	\$ 0	\$ 0	\$ 0	\$ 482,348
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Prisoner Board	\$ 5,822	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,822
Contributions	1,000	0	0	0	0	618,053	1,372,465	0	1,991,518
Contracted Services	32,153	7,243	0	0	0	0	0	0	39,396

(Continued)

Exhibit K-6

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

	Special Revenue Funds					Debt Service Funds			Capital Projects Fund
	General	Solid Waste/Sanitation	Drug Control	Constitutional Officers - Fees	Highway/Public Works	General Debt Service	Rural Debt Service	General Capital Projects	Total
Other Governments and Citizens Groups (Cont.)									
Citizens Groups									
Donations	\$ 1,368	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,368
Other	13,904	0	0	0	0	0	0	0	13,904
Total Other Governments and Citizens Groups	\$ 54,247	\$ 7,243	\$ 0	\$ 0	\$ 0	\$ 618,053	\$ 1,372,465	\$ 0	\$ 2,052,008
Total	\$ 8,835,685	\$ 1,255,956	\$ 32,313	\$ 7,704	\$ 3,034,568	\$ 911,025	\$ 1,978,739	\$ 140,368	\$ 16,196,358

Exhibit K-7

Hardin County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Hardin County School Department
For the Year Ended June 30, 2008

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 5,001,723	\$ 0	\$ 0	\$ 5,001,723
Trustee's Collections - Prior Year	198,489	0	0	198,489
Circuit/Clerk & Master Collections - Prior Years	91,012	0	0	91,012
Interest and Penalty	75,123	0	0	75,123
Payments in-Lieu-of Taxes - T.V.A.	2,266	0	0	2,266
Payments in-Lieu-of Taxes - Local Utilities	1,178	0	0	1,178
Payments in-Lieu-of Taxes - Other	10,613	0	0	10,613
<u>County Local Option Taxes</u>				
Local Option Sales Tax	3,589,653	0	0	3,589,653
<u>Statutory Local Taxes</u>				
Bank Excise Tax	47,930	0	0	47,930
Interstate Telecommunications Tax	3,974	0	0	3,974
Total Local Taxes	\$ 9,021,961	\$ 0	\$ 0	\$ 9,021,961
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 1,624	\$ 0	\$ 0	\$ 1,624
Total Licenses and Permits	\$ 1,624	\$ 0	\$ 0	\$ 1,624
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Summer School	\$ 150	\$ 0	\$ 0	\$ 150
Lunch Payments - Children	0	0	234,053	234,053
Lunch Payments - Adults	0	0	77,386	77,386
Income from Breakfast	0	0	32,257	32,257
A la carte Sales	0	0	366,863	366,863
Receipts from Individual Schools	28,096	0	0	28,096
<u>Other Charges for Services</u>				
Other Charges for Services	3,803	0	0	3,803
Total Charges for Current Services	\$ 32,049	\$ 0	\$ 710,559	\$ 742,608
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 14,185	\$ 14,185
Lease/Rentals	1,860	0	0	1,860
Miscellaneous Refunds	36,181	0	7,446	43,627
<u>Nonrecurring Items</u>				
Sale of Equipment	1,193	0	0	1,193
Damages Recovered from Individuals	908	0	0	908
Contributions and Gifts	696	0	0	696
<u>Other Local Revenues</u>				
Other Local Revenues	28,986	0	0	28,986
Total Other Local Revenues	\$ 69,824	\$ 0	\$ 21,631	\$ 91,455
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 109,710	\$ 0	\$ 0	\$ 109,710

(Continued)

Exhibit K-7

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 14,683,508	\$ 0	\$ 0	\$ 14,683,508
Early Childhood Education	517,765	0	0	517,765
School Food Service	20,707	0	0	20,707
Driver Education	10,985	0	0	10,985
Other State Education Funds	146,460	0	0	146,460
Career Ladder Program	246,804	0	0	246,804
Career Ladder - Extended Contract	119,719	0	0	119,719
<u>Other State Revenues</u>				
Mixed Drink Tax	23,343	0	0	23,343
State Revenue Sharing - T.V.A.	463,297	0	0	463,297
Other State Grants	15,789	0	0	15,789
Other State Revenues	57,601	0	0	57,601
Total State of Tennessee	\$ 16,415,688	\$ 0	\$ 0	\$ 16,415,688
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 798,497	\$ 798,497
Breakfast	0	0	310,818	310,818
USDA - Other	0	0	10,613	10,613
Adult Education State Grant Program	88,710	0	0	88,710
Vocational Education - Basic Grants to States	0	94,420	0	94,420
Title I Grants to Local Education Agencies	0	1,524,349	0	1,524,349
Innovative Education Program Strategies	0	195,301	0	195,301
Special Education - Grants to States	16,224	798,082	0	814,306
Eisenhower Professional Development State Grants	0	298,187	0	298,187
Job Training Partnership Act	25,000	0	0	25,000
Other Federal through State	2,722	330,397	0	333,119
Total Federal Government	\$ 132,656	\$ 3,240,736	\$ 1,119,928	\$ 4,493,320
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 600,000	\$ 0	\$ 0	\$ 600,000
Total Other Governments and Citizens Groups	\$ 600,000	\$ 0	\$ 0	\$ 600,000
Total	\$ 26,273,802	\$ 3,240,736	\$ 1,852,118	\$ 31,366,656

Exhibit K-8

Hardin County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2008

General Fund

General Government

County Commission

Clerical Personnel	\$	6,562	
Board and Committee Members Fees		36,150	
Audit Services		5,971	
Dues and Memberships		1,700	
Operating Lease Payments		3,516	
Legal Services		1,000	
Travel		3,115	
Other Charges		<u>2,050</u>	
Total County Commission			\$ 60,064

Board of Equalization

Board and Committee Members Fees	\$	<u>490</u>	
Total Board of Equalization			490

Beer Board

Board and Committee Members Fees	\$	3,000	
Office Supplies		<u>370</u>	
Total Beer Board			3,370

Other Boards and Committees

Board and Committee Members Fees	\$	1,350	
Office Supplies		<u>150</u>	
Total Other Boards and Committees			1,500

County Mayor/Executive

County Official/Administrative Officer	\$	67,996	
Secretary(ies)		23,288	
Clerical Personnel		11,675	
Educational Incentive - Other County Employees		9,000	
Other Fringe Benefits		6,500	
Communication		3,055	
Postal Charges		4,472	
Travel		4,908	
Office Supplies		3,346	
Office Equipment		<u>1,998</u>	
Total County Mayor/Executive			136,238

County Attorney

Legal Services	\$	<u>4,802</u>	
Total County Attorney			4,802

(Continued)

Exhibit K-8

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

General Fund (Cont.)

General Government (Cont.)

Election Commission

County Official/Administrative Officer	\$	52,986	
Part-time Personnel		1,363	
Other Salaries and Wages		16,091	
Board and Committee Members Fees		4,125	
Election Workers		6,920	
In-Service Training		262	
Communication		1,473	
Data Processing Services		15,625	
Legal Notices, Recording, and Court Costs		1,254	
Postal Charges		1,845	
Printing, Stationery, and Forms		11,324	
Travel		2,083	
Office Supplies		1,604	
Office Equipment		1,773	
Total Election Commission			\$ 118,728

Register of Deeds

County Official/Administrative Officer	\$	58,871	
Deputy(ies)		42,253	
Communication		1,978	
Contracts with Private Agencies		1,046	
Data Processing Services		14,759	
Postal Charges		500	
Travel		1,096	
Other Contracted Services		3,754	
Office Supplies		8,488	
Total Register of Deeds			132,745

County Buildings

Custodial Personnel	\$	80,812	
Communication		175	
Maintenance and Repair Services - Buildings		24,984	
Maintenance and Repair Services - Equipment		2,516	
Pest Control		1,773	
Custodial Supplies		8,230	
Food Supplies		1,042	
Gasoline		5,748	
Small Tools		701	
Utilities		70,715	
Other Supplies and Materials		1,194	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Building and Contents Insurance	\$ 1,975	
Liability Insurance	134,882	
Premiums on Corporate Surety Bonds	6,586	
Other Charges	53,885	
Building Improvements	49,313	
Maintenance Equipment	1,225	
Other Capital Outlay	45,000	
Total County Buildings		\$ 490,756

Finance

Accounting and Budgeting

Accountants/Bookkeepers	\$ 44,999	
Clerical Personnel	23,352	
Part-time Personnel	11,198	
In-Service Training	500	
Communication	1,868	
Contracts with Government Agencies	1,250	
Data Processing Services	6,634	
Travel	1,000	
Office Supplies	3,396	
Office Equipment	2,900	
Total Accounting and Budgeting		97,097

Property Assessor's Office

County Official/Administrative Officer	\$ 58,871	
Secretary(ies)	21,838	
Clerical Personnel	45,918	
Other Salaries and Wages	13,263	
In-Service Training	690	
Communication	2,739	
Contracts with Government Agencies	475	
Contracts with Private Agencies	17,880	
Data Processing Services	6,788	
Postal Charges	902	
Travel	1,929	
Office Supplies	6,087	
Total Property Assessor's Office		177,380

Reappraisal Program

Other Salaries and Wages	\$ 13,816	
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(Continued)

Exhibit K-8

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program (Cont.)

Data Processing Services	\$	4,363	
Postal Charges		1,270	
Travel		4,730	
Office Supplies		1,947	
Total Reappraisal Program			\$ 26,126

County Trustee's Office

County Official/Administrative Officer	\$	58,871	
Deputy(ies)		21,919	
Part-time Personnel		16,407	
Other Salaries and Wages		22,274	
Communication		2,520	
Data Processing Services		29,227	
Dues and Memberships		887	
Postal Charges		6,000	
Travel		900	
Office Supplies		2,584	
Total County Trustee's Office			161,589

County Clerk's Office

County Official/Administrative Officer	\$	58,871	
Deputy(ies)		41,679	
Clerical Personnel		41,328	
Part-time Personnel		36,555	
Educational Incentive - Other County Employees		375	
Communication		4,386	
Data Processing Services		15,313	
Postal Charges		6,602	
Travel		1,206	
Other Contracted Services		600	
Office Supplies		5,658	
Office Equipment		312	
Total County Clerk's Office			212,885

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	58,871
Deputy(ies)		112,775
Clerical Personnel		23,234
Part-time Personnel		15,095

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Board and Committee Members Fees	\$	600	
Jury and Witness Fees		11,802	
Communication		2,337	
Data Processing Services		9,007	
Postal Charges		3,005	
Travel		897	
Office Supplies		14,899	
Other Charges		1,238	
Office Equipment		22,654	
Total Circuit Court			\$ 276,414

General Sessions Court

Judge(s)	\$	97,922	
Secretary(ies)		21,919	
Communication		1,077	
Postal Charges		33	
Travel		1,928	
Other Contracted Services		566	
Office Supplies		1,549	
Total General Sessions Court			124,994

Drug Court

Remittance of Revenue Collected	\$	8,797	
Total Drug Court			8,797

Chancery Court

County Official/Administrative Officer	\$	58,871	
Deputy(ies)		21,919	
Educational Incentive - Other County Employees		375	
Other Salaries and Wages		16,522	
Communication		869	
Postal Charges		400	
Travel		1,713	
Office Supplies		16,539	
Total Chancery Court			117,208

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	64,759	
Assistant(s)		23,840	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Deputy(ies)	\$	493,468	
Salary Supplements		7,200	
Secretary(ies)		25,171	
In-Service Training		4,500	
Communication		7,989	
Data Processing Services		1,390	
Dues and Memberships		1,500	
Maintenance and Repair Services - Vehicles		42,658	
Travel		1,205	
Other Contracted Services		49,711	
Drugs and Medical Supplies		500	
Gasoline		83,356	
Law Enforcement Supplies		2,119	
Office Supplies		8,490	
Uniforms		5,443	
Utilities		957	
Law Enforcement Equipment		5,393	
Motor Vehicles		63,010	
Other Equipment		40	
Total Sheriff's Department	\$		892,699

Traffic Control

Deputy(ies)	\$	77,029	
Other Fringe Benefits		25,726	
Office Supplies		25	
Other Supplies and Materials		391	
Other Equipment		3,934	
Total Traffic Control			107,105

Administration of the Sexual Offender Registry

Office Supplies	\$	112	
Total Administration of the Sexual Offender Registry			112

Jail

Guards	\$	317,379	
Attendants		1,000	
Other Salaries and Wages		23,400	
In-Service Training		1,191	
Communication		7,561	
Legal Services		28,194	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Maintenance and Repair Services - Buildings	\$	19,714	
Medical and Dental Services		90,265	
Custodial Supplies		19,926	
Food Preparation Supplies		12,198	
Food Supplies		93,330	
Office Supplies		4,509	
Prisoners Clothing		3,000	
Uniforms		7,283	
Utilities		54,655	
Other Supplies and Materials		15,252	
Data Processing Equipment		14,970	
Total Jail			\$ 713,827

Juvenile Services

Youth Service Officer(s)	\$	40,001	
Educational Assistants		22,937	
In-Service Training		1,204	
Communication		2,345	
Data Processing Services		1,200	
Transportation - Other than Students		445	
Travel		243	
Office Supplies		4,977	
Total Juvenile Services			73,352

Fire Prevention and Control

Captain(s)	\$	38,843	
Mechanic(s)		47,456	
Other Salaries and Wages		30,318	
In-Service Training		3,290	
Communication		5,629	
Maintenance and Repair Services - Equipment		7,881	
Maintenance and Repair Services - Vehicles		43,139	
Travel		2,000	
Other Contracted Services		2,500	
Drugs and Medical Supplies		583	
Equipment and Machinery Parts		63,251	
Gasoline		37,507	
Instructional Supplies and Materials		2,700	
Office Supplies		3,283	
Uniforms		7,957	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

Utilities	\$	39,208	
Other Supplies and Materials		1,483	
Motor Vehicles		913,530	
Site Development		5,500	
Other Equipment		53,675	
Other Capital Outlay		20,000	
Total Fire Prevention and Control			\$ 1,329,733

Civil Defense

Assistant(s)	\$	25,759	
Supervisor/Director		6,167	
Clerical Personnel		7,941	
Part-time Personnel		6,786	
Other Salaries and Wages		2,122	
Communication		3,136	
Maintenance and Repair Services - Equipment		1,150	
Maintenance and Repair Services - Vehicles		1,110	
Equipment and Machinery Parts		4,750	
Office Supplies		2,989	
Uniforms		1,027	
Other Supplies and Materials		2,605	
Communication Equipment		337	
Motor Vehicles		25,758	
Office Equipment		500	
Other Equipment		41,170	
Total Civil Defense			133,307

Disaster Relief

Temporary Personnel	\$	8,658	
Other Supplies and Materials		13,254	
Other Charges		377,000	
Total Disaster Relief			398,912

Other Public Safety

Supervisor/Director	\$	3,122	
Contracts with Government Agencies		238,743	
Total Other Public Safety			241,865

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Health and Welfare

Local Health Center

Medical Personnel	\$ 36,006	
Communication	2,289	
Contracts with Government Agencies	34,000	
Janitorial Services	4,980	
Maintenance and Repair Services - Buildings	1,479	
Postal Charges	2,510	
Travel	6,241	
Drugs and Medical Supplies	1,572	
Office Supplies	2,381	
Utilities	9,119	
Other Equipment	1,485	
Total Local Health Center		\$ 102,062

Rabies and Animal Control

Motor Vehicles	\$ 22,779	
Total Rabies and Animal Control		22,779

Ambulance/Emergency Medical Services

Contracts with Private Agencies	\$ 50,000	
Utilities	957	
Total Ambulance/Emergency Medical Services		50,957

Alcohol and Drug Programs

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

Crippled Children Services

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

General Welfare Assistance

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

Other Local Welfare Services

Supervisor/Director	\$ 6,739	
Social Security	418	
Unemployment Compensation	101	
Employer Medicare	98	
Travel	90	
Total Other Local Welfare Services		7,446

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Education/Information

Foremen	\$	31,081	
Other Salaries and Wages		26,407	
Gasoline		2,600	
Instructional Supplies and Materials		6,600	
Other Supplies and Materials		2,105	
Motor Vehicles		24,994	
Total Sanitation Education/Information			\$ 93,787

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$	22,879	
Custodial Personnel		4,170	
Other Salaries and Wages		9,788	
Communication		1,242	
Maintenance and Repair Services - Buildings		300	
Maintenance and Repair Services - Vehicles		1,670	
Postal Charges		82	
Travel		891	
Office Supplies		792	
Utilities		2,100	
Other Supplies and Materials		766	
Vehicle and Equipment Insurance		569	
Office Equipment		361	
Total Senior Citizens Assistance			45,610

Libraries

Assistant(s)	\$	20,906	
Supervisor/Director		29,527	
Custodial Personnel		4,327	
Part-time Personnel		9,206	
Other Salaries and Wages		60,244	
Communication		3,406	
Office Supplies		23,072	
Utilities		27,712	
Office Equipment		6,995	
Total Libraries			185,395

Other Social, Cultural, and Recreational

Contributions	\$	17,000	
Total Other Social, Cultural, and Recreational			17,000

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Agriculture and Natural Resources

Agriculture Extension Service

County Official/Administrative Officer	\$	19,357	
Assistant(s)		13,674	
Deputy(ies)		6,065	
Secretary(ies)		8,200	
Social Security		1,423	
Extension Service Medicare		400	
Other Fringe Benefits		4,473	
Office Supplies		5,000	
Office Equipment		4,275	
Total Agriculture Extension Service			\$ 62,867

Forest Service

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

Soil Conservation

Contributions	\$	22,761	
Total Soil Conservation			22,761

Flood Control

Other Salaries and Wages	\$	2,985	
Contributions		33,000	
Office Supplies		2,000	
Total Flood Control			37,985

Other Agriculture and Natural Resources

Part-time Personnel	\$	2,275	
Food Preparation Supplies		97	
Utilities		940	
Total Other Agriculture and Natural Resources			3,312

Other Operations

Tourism

Contributions	\$	232,000	
Total Tourism			232,000

Tourism-Resort District

Contributions	\$	60,864	
Total Tourism-Resort District			60,864

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Other Operations (Cont.)

Industrial Development

Contracts with Government Agencies	\$ 45,000	
Dues and Memberships	11,546	
Other Charges	<u>1,601</u>	
Total Industrial Development		\$ 58,147

Other Economic and Community Development

Other Charges	\$ <u>14,251</u>	
Total Other Economic and Community Development		14,251

Airport

Contributions	\$ <u>67,500</u>	
Total Airport		67,500

Veterans' Services

Supervisor/Director	\$ 22,999	
Secretary(ies)	10,807	
Communication	1,180	
Travel	1,500	
Office Supplies	1,695	
Office Equipment	<u>849</u>	
Total Veterans' Services		39,030

Other Charges

Trustee's Commission	\$ 104,405	
Workers' Compensation Insurance	85,390	
Other Self-Insured Claims	<u>10,265</u>	
Total Other Charges		200,060

Contributions to Other Agencies

Contributions	\$ <u>15,500</u>	
Total Contributions to Other Agencies		15,500

Employee Benefits

Social Security	\$ 173,580
State Retirement	246,814
Life Insurance	8,948
Medical Insurance	454,876
Dental Insurance	17,765
Unemployment Compensation	12,004
Employer Medicare	40,683

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Other Operations (Cont.)

Employee Benefits (Cont.)

Other Fringe Benefits	\$ 675	
Total Employee Benefits		\$ 955,345

Miscellaneous

Medical and Dental Services	\$ 165	
Other Charges	5,193	
Total Miscellaneous		5,358

Principal on Debt

General Government

Principal on Capital Leases	\$ 160,958	
Total General Government		160,958

Interest on Debt

General Government

Interest on Capital Leases	\$ 60,868	
Total General Government		<u>60,868</u>

Total General Fund		\$ 8,568,942
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Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$ 45,005	
Secretary(ies)	11,675	
Board and Committee Members Fees	200	
Communication	3,176	
Maintenance and Repair Services - Equipment	949	
Travel	1,724	
Office Supplies	1,985	
Total Sanitation Management		\$ 64,714

Waste Pickup

Mechanic(s)	\$ 30,794
Truck Drivers	119,669
Maintenance and Repair Services - Equipment	45,894
Gasoline	129,849
Small Tools	2,046
Tires and Tubes	17,400
Other Supplies and Materials	10,358

(Continued)

Exhibit K-8

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Waste Pickup (Cont.)

Solid Waste Equipment	\$ 8,382	
Total Waste Pickup		\$ 364,392

Convenience Centers

Laborers	\$ 187,988	
Advertising	158	
Communication	4,682	
Rentals	2,400	
Utilities	15,295	
Other Supplies and Materials	13,637	
Site Development	10,545	
Solid Waste Equipment	32,125	
Total Convenience Centers		266,830

Landfill Operation and Maintenance

Disposal Fees	\$ 392,225	
Other Contracted Services	13,888	
Site Development	851	
Total Landfill Operation and Maintenance		406,964

Other Operations

Other Charges

Trustee's Commission	\$ 11,806	
Workers' Compensation Insurance	39,275	
Total Other Charges		51,081

Employee Benefits

Social Security	\$ 24,176	
State Retirement	21,330	
Life Insurance	787	
Medical Insurance	42,846	
Dental Insurance	1,487	
Unemployment Compensation	3,206	
Employer Medicare	5,730	
Total Employee Benefits		99,562

Total Solid Waste/Sanitation Fund		\$ 1,253,543
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(Continued)

Exhibit K-8

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

Drug Control Fund

Public Safety

Drug Enforcement

Investigator(s)	\$ 24,151	
Salary Supplements	750	
Travel	1,000	
Office Supplies	540	
Total Drug Enforcement		\$ 26,441

Other Operations

Other Charges

Workers' Compensation Insurance	\$ 1,267	
Total Other Charges		1,267

Employee Benefits

Social Security	\$ 1,544	
State Retirement	2,431	
Life Insurance	71	
Medical Insurance	4,656	
Dental Insurance	210	
Unemployment Compensation	170	
Employer Medicare	361	
Total Employee Benefits		9,443

Total Drug Control Fund \$ 37,151

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$ 7,704	
Total Chancery Court		\$ 7,704

Total Constitutional Officers - Fees Fund 7,704

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 64,760
Assistant(s)	45,445
Secretary to Board	1,224
Accountants/Bookkeepers	60,138
Board and Committee Members Fees	4,895
Communication	19,982

(Continued)

Exhibit K-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Data Processing Services	\$	6,025	
Dues and Memberships		3,270	
Legal Notices, Recording, and Court Costs		570	
Maintenance Agreements		474	
Postal Charges		1,180	
Printing, Stationery, and Forms		927	
Travel		7,040	
Electricity		6,426	
Food Preparation Supplies		2,082	
Natural Gas		2,865	
Office Supplies		2,983	
Water and Sewer		384	
Other Charges		713	
Total Administration			\$ 231,383

Highway and Bridge Maintenance

Laborers	\$	651,936	
Clerical Personnel		3,394	
Engineering Services		5,875	
Other Contracted Services		74,523	
Asphalt		65,505	
Asphalt - Cold Mix		1,680	
Asphalt - Hot Mix		103,398	
Concrete		284	
Crushed Stone		69,521	
Office Supplies		542	
Pipe		17,948	
Road Signs		9,553	
Wood Products		181	
Gravel and Chert		2,630	
Other Supplies and Materials		11,311	
Total Highway and Bridge Maintenance			1,018,281

Operation and Maintenance of Equipment

Mechanic(s)	\$	23,050
Laborers		20,972
Maintenance Personnel		38,960
Maintenance and Repair Services - Equipment		24,940
Maintenance and Repair Services - Vehicles		14,869
Diesel Fuel		116,683

(Continued)

Exhibit K-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Equipment and Machinery Parts	\$	32,979	
Garage Supplies		5,483	
Gasoline		46,089	
Lubricants		5,271	
Propane Gas		155	
Small Tools		1,385	
Tires and Tubes		30,248	
Other Supplies and Materials		788	
Total Operation and Maintenance of Equipment			\$ 361,872

Other Charges

Liability Insurance	\$	55,054	
Trustee's Commission		28,105	
Workers' Compensation Insurance		116,199	
Total Other Charges			199,358

Employee Benefits

Social Security	\$	70,214	
State Retirement		73,255	
Life Insurance		3,966	
Medical Insurance		191,239	
Dental Insurance		8,661	
Unemployment Compensation		8,572	
Total Employee Benefits			355,907

Capital Outlay

Maintenance and Repair Services - Buildings	\$	4,800	
Bridge Construction		328,346	
Building Improvements		29,090	
Data Processing Equipment		1,279	
Highway Construction		500,000	
Highway Equipment		70,228	
Motor Vehicles		23,588	
Office Equipment		347	
State Aid Projects		182,080	
Other Equipment		11,953	
Other Construction		234,698	
Other Capital Outlay		17,802	
Total Capital Outlay			1,404,211

(Continued)

Exhibit K-8

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

Highway/Public Works Fund (Cont.)

Principal on Debt

Highways and Streets

Principal on Capital Leases	\$ 19,980	
Total Highways and Streets		\$ 19,980

Interest on Debt

Highways and Streets

Interest on Capital Leases	\$ 4,184	
Total Highways and Streets		<u>4,184</u>

Total Highway/Public Works Fund		\$ 3,595,176
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General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 190,000	
Principal on Notes	233,967	
Principal on Other Loans	<u>204,000</u>	
Total General Government		\$ 627,967

Highways and Streets

Principal on Bonds	\$ 105,000	
Total Highways and Streets		105,000

Education

Principal on Notes	\$ 156,280	
Total Education		156,280

Interest on Debt

General Government

Interest on Bonds	\$ 340,284	
Interest on Notes	15,275	
Interest on Other Loans	<u>206,103</u>	
Total General Government		561,662

Highways and Streets

Interest on Bonds	\$ 84,841	
Total Highways and Streets		84,841

Education

Interest on Notes	\$ 14,466	
Total Education		14,466

(Continued)

Exhibit K-8

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

General Debt Service Fund (Cont.)

Other Debt Service

General Government

Trustee's Commission	\$ 4,565	
Other Debt Service	38,239	
Total General Government	<u>42,804</u>	\$ 42,804

Total General Debt Service Fund \$ 1,593,020

Rural Debt Service Fund

Principal on Debt

Education

Principal on Bonds	\$ 1,220,000	
Principal on Notes	600,000	
Total Education	<u>1,820,000</u>	\$ 1,820,000

Interest on Debt

Education

Interest on Bonds	\$ 151,538	
Total Education	<u>151,538</u>	151,538

Other Debt Service

Education

Trustee's Commission	\$ 6,344	
Other Debt Service	482	
Total Education	<u>6,826</u>	6,826

Total Rural Debt Service Fund 1,978,364

General Capital Projects Fund

Capital Projects

Other General Government Projects

Architects	\$ 154,829	
Other Charges	143,730	
Underwriter's Discount	37,500	
Other Debt Issuance Charges	49,400	
Building Construction	7,343,385	
Total Other General Government Projects	<u>7,728,844</u>	\$ 7,728,844

Total General Capital Projects Fund 7,728,844

(Continued)

Exhibit K-8

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

<u>Education Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Education Capital Projects</u>			
Contributions	\$	<u>600,000</u>	
Total Education Capital Projects			\$ <u>600,000</u>
 Total Education Capital Projects Fund			 \$ <u>600,000</u>
 Total Governmental Funds - Primary Government			 \$ <u>25,362,744</u>

Exhibit K-9

Hardin County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Hardin County School Department
For the Year Ended June 30, 2008

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 7,849,167	
Career Ladder Program	157,701	
Career Ladder Extended Contracts	101,000	
Educational Assistants	212,066	
Other Salaries and Wages	11,059	
Certified Substitute Teachers	104,927	
Social Security	497,866	
State Retirement	523,910	
Medical Insurance	1,343,808	
Dental Insurance	64,161	
Unemployment Compensation	9,717	
Employer Medicare	116,406	
Maintenance and Repair Services - Equipment	13,996	
Instructional Supplies and Materials	675	
Textbooks	239,509	
Other Supplies and Materials	111,717	
Other Charges	219	
Regular Instruction Equipment	25,415	
Total Regular Instruction Program	\$ 11,383,319	

Alternative Instruction Program

Teachers	\$ 91,457	
Educational Assistants	7,148	
Certified Substitute Teachers	205	
Social Security	5,826	
State Retirement	6,408	
Medical Insurance	17,096	
Dental Insurance	860	
Unemployment Compensation	114	
Employer Medicare	1,362	
Instructional Supplies and Materials	5,656	
Other Supplies and Materials	1,017	
Other Charges	897	
Other Equipment	1,348	
Total Alternative Instruction Program	139,394	

Special Education Program

Teachers	\$ 1,038,743
Career Ladder Program	19,680

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Homebound Teachers	\$	90,239	
Educational Assistants		19,337	
Certified Substitute Teachers		6,290	
Social Security		70,300	
State Retirement		72,841	
Medical Insurance		178,784	
Dental Insurance		9,361	
Unemployment Compensation		1,172	
Employer Medicare		16,471	
Contracts with Private Agencies		12,537	
Maintenance and Repair Services - Equipment		231	
Instructional Supplies and Materials		103	
Other Supplies and Materials		12,431	
Total Special Education Program			\$ 1,548,520

Vocational Education Program

Teachers	\$	681,764	
Career Ladder Program		7,000	
Certified Substitute Teachers		6,252	
Social Security		40,735	
State Retirement		41,539	
Medical Insurance		117,995	
Dental Insurance		5,414	
Unemployment Compensation		691	
Employer Medicare		9,527	
Other Supplies and Materials		28,214	
Total Vocational Education Program			939,131

Adult Education Program

Teachers	\$	8,721	
Other Salaries and Wages		32,184	
Social Security		2,536	
State Retirement		553	
Unemployment Compensation		59	
Employer Medicare		593	
Instructional Supplies and Materials		1,188	
Other Supplies and Materials		20	
Total Adult Education Program			45,854

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services

Attendance

Supervisor/Director	\$	25,890	
Career Ladder Program		3,000	
Clerical Personnel		27,826	
Social Security		3,485	
State Retirement		4,580	
Medical Insurance		15,662	
Dental Insurance		911	
Unemployment Compensation		99	
Employer Medicare		815	
Travel		2,399	
Other Supplies and Materials		1,291	
In Service/Staff Development		710	
Other Charges		16	
Total Attendance			\$ 86,684

Health Services

Medical Personnel	\$	98,299	
Social Security		5,528	
State Retirement		9,810	
Medical Insurance		18,941	
Dental Insurance		1,138	
Unemployment Compensation		129	
Employer Medicare		1,293	
Travel		1,181	
Drugs and Medical Supplies		10,461	
Other Supplies and Materials		494	
In Service/Staff Development		80	
Other Charges		144	
Health Equipment		404	
Total Health Services			147,902

Other Student Support

Career Ladder Program	\$	7,713	
Guidance Personnel		507,248	
Social Workers		29,440	
Attendants		42,056	
Other Salaries and Wages		83,914	
Social Security		39,155	
State Retirement		41,796	

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Medical Insurance	\$	116,912	
Dental Insurance		5,617	
Unemployment Compensation		827	
Employer Medicare		9,157	
Communication		8,265	
Evaluation and Testing		12,927	
Travel		5,536	
Other Contracted Services		7,860	
Other Supplies and Materials		33,358	
In Service/Staff Development		2,406	
Other Charges		130	
Other Equipment		10,434	
Total Other Student Support			\$ 964,751

Regular Instruction Program

Supervisor/Director	\$	140,916	
Career Ladder Program		12,000	
Librarians		324,475	
Instructional Computer Personnel		137,886	
Clerical Personnel		15,077	
Other Salaries and Wages		49,253	
Social Security		40,751	
State Retirement		43,580	
Medical Insurance		97,413	
Dental Insurance		4,250	
Unemployment Compensation		632	
Employer Medicare		9,530	
Travel		17,931	
Other Contracted Services		2,008	
Library Books/Media		35,258	
Other Supplies and Materials		9,311	
In Service/Staff Development		1,841	
Other Charges		1,959	
Other Equipment		24,918	
Total Regular Instruction Program			968,989

Alternative Instruction Program

Travel	\$	2,187	
In Service/Staff Development		125	
Total Alternative Instruction Program			2,312

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program

Supervisor/Director	\$	56,924	
Career Ladder Program		2,000	
Assessment Personnel		63,932	
Social Security		7,616	
State Retirement		8,770	
Medical Insurance		10,765	
Dental Insurance		661	
Unemployment Compensation		107	
Employer Medicare		1,782	
Travel		16,994	
Other Supplies and Materials		670	
In Service/Staff Development		500	
Other Charges		2,295	
Total Special Education Program			\$ 173,016

Vocational Education Program

Supervisor/Director	\$	29,715	
Secretary(ies)		7,330	
Other Salaries and Wages		29,715	
Social Security		3,843	
State Retirement		4,440	
Medical Insurance		13,605	
Dental Insurance		607	
Unemployment Compensation		76	
Employer Medicare		899	
Travel		3,307	
Other Supplies and Materials		300	
In Service/Staff Development		50	
Other Charges		1,084	
Total Vocational Education Program			94,971

Adult Programs

Supervisor/Director	\$	50,959	
Social Security		3,134	
State Retirement		3,180	
Medical Insurance		5,370	
Dental Insurance		304	
Unemployment Compensation		38	
Employer Medicare		733	

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs (Cont.)

Travel	\$	975	
Other Supplies and Materials		93	
Other Charges		2,037	
Total Adult Programs			\$ 66,823

Other Programs

On-Behalf Payments to OPEB	\$	109,710	
Total Other Programs			109,710

Board of Education

Board and Committee Members Fees	\$	10,048	
Dental Insurance		2,732	
Other Fringe Benefits		86,886	
Audit Services		10,000	
Dues and Memberships		8,426	
Legal Services		50,816	
Travel		4,704	
Other Contracted Services		3,750	
Other Supplies and Materials		363	
Liability Insurance		39,092	
Trustee's Commission		191,762	
Workers' Compensation Insurance		141,756	
In Service/Staff Development		3,495	
Other Charges		837	
Total Board of Education			554,667

Director of Schools

County Official/Administrative Officer	\$	83,021	
Career Ladder Program		1,000	
Secretary(ies)		30,153	
Clerical Personnel		15,077	
Social Security		7,647	
State Retirement		9,694	
Medical Insurance		18,527	
Dental Insurance		911	
Unemployment Compensation		98	
Employer Medicare		1,788	
Communication		5,330	
Dues and Memberships		1,980	

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Maintenance and Repair Services - Equipment	\$	1,762	
Postal Charges		2,123	
Travel		2,976	
Office Supplies		2,425	
Other Supplies and Materials		247	
In Service/Staff Development		25	
Other Charges		514	
Administration Equipment		729	
Total Director of Schools			\$ 186,027

Office of the Principal

Principals	\$	488,487	
Career Ladder Program		10,000	
Accountants/Bookkeepers		24,629	
Assistant Principals		240,756	
Secretary(ies)		155,177	
Clerical Personnel		284	
Social Security		53,739	
State Retirement		63,069	
Medical Insurance		152,214	
Dental Insurance		8,020	
Unemployment Compensation		1,017	
Employer Medicare		12,568	
Communication		14,174	
Dues and Memberships		1,250	
Maintenance and Repair Services - Equipment		1,787	
Travel		3,082	
Other Contracted Services		40,724	
Other Supplies and Materials		5,148	
In Service/Staff Development		418	
Administration Equipment		12,533	
Total Office of the Principal			1,289,076

Fiscal Services

Supervisor/Director	\$	55,197
Accountants/Bookkeepers		30,153
Social Security		5,274
State Retirement		8,518
Medical Insurance		10,292

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

Dental Insurance	\$	607	
Unemployment Compensation		78	
Employer Medicare		1,234	
Data Processing Services		5,699	
Maintenance and Repair Services - Equipment		2,080	
Travel		1,759	
Data Processing Supplies		3,252	
Office Supplies		1,474	
In Service/Staff Development		284	
Administration Equipment		1,523	
Total Fiscal Services			\$ 127,424

Operation of Plant

Custodial Personnel	\$	308,600	
Maintenance Personnel		262	
Social Security		18,977	
State Retirement		26,961	
Medical Insurance		107,089	
Dental Insurance		6,198	
Unemployment Compensation		1,088	
Employer Medicare		4,438	
Laundry Service		4,856	
Disposal Fees		13,971	
Other Contracted Services		3,603	
Custodial Supplies		58,926	
Electricity		742,121	
Natural Gas		194,893	
Water and Sewer		57,441	
Other Supplies and Materials		36,840	
Boiler Insurance		5,670	
Building and Contents Insurance		103,297	
Other Charges		2,543	
Plant Operation Equipment		156,257	
Total Operation of Plant			1,854,031

Maintenance of Plant

Supervisor/Director	\$	38,160
Maintenance Personnel		116,643
Other Salaries and Wages		2,160

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Social Security	\$	9,663	
State Retirement		15,470	
Medical Insurance		31,723	
Dental Insurance		1,822	
Unemployment Compensation		217	
Employer Medicare		2,260	
Maintenance and Repair Services - Buildings		29,353	
Maintenance and Repair Services - Equipment		51,607	
Other Contracted Services		1,200	
Equipment and Machinery Parts		63,954	
General Construction Materials		22,488	
Other Supplies and Materials		13,018	
Other Charges		1,396	
Total Maintenance of Plant			\$ 401,134

Transportation

Supervisor/Director	\$	33,704
Mechanic(s)		56,215
Bus Drivers		345,178
Social Security		26,840
State Retirement		39,714
Medical Insurance		53,136
Dental Insurance		2,960
Unemployment Compensation		1,270
Employer Medicare		6,267
Contracts with Parents		11,386
Maintenance and Repair Services - Vehicles		9,501
Medical and Dental Services		3,829
Other Contracted Services		396
Diesel Fuel		196,005
Garage Supplies		686
Gasoline		3,163
Lubricants		6,109
Tires and Tubes		19,963
Vehicle Parts		55,499
Other Supplies and Materials		11,007
Vehicle and Equipment Insurance		31,893
In Service/Staff Development		625
Other Charges		3,668

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Administration Equipment	\$ 500	
Transportation Equipment	9,718	
Total Transportation	\$ 929,232	

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 56,430	
Career Ladder Program	3,000	
Accountants/Bookkeepers	30,153	
Other Salaries and Wages	5,472	
Social Security	5,622	
State Retirement	7,131	
Medical Insurance	288,416	
Dental Insurance	16,951	
Unemployment Compensation	97	
Employer Medicare	1,315	
Communication	2,400	
Travel	3,587	
In Service/Staff Development	619	
Other Charges	454	
Total Food Service	421,647	

Early Childhood Education

Teachers	\$ 213,191	
Educational Assistants	72,163	
Other Salaries and Wages	29,440	
Social Security	19,077	
State Retirement	17,904	
Medical Insurance	61,163	
Dental Insurance	3,466	
Unemployment Compensation	610	
Employer Medicare	4,462	
Travel	2,038	
Other Contracted Services	2,794	
Instructional Supplies and Materials	29,278	
Other Supplies and Materials	38,868	
In Service/Staff Development	4,632	
Other Charges	1,357	
Other Equipment	15,285	
Total Early Childhood Education	515,728	

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Principal on Debt

Education

Principal on Notes	\$ 48,595	
Principal on Capital Leases	4,184	
Total Education		\$ 52,779

Interest on Debt

Education

Interest on Notes	\$ 11,926	
Interest on Capital Leases	986	
Total Education		12,912

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 1,543,212	
Total Education		1,543,212

Total General Purpose School Fund \$ 24,559,245

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 725,110	
Educational Assistants	137,859	
Other Salaries and Wages	13,164	
Certified Substitute Teachers	10,373	
Social Security	52,857	
State Retirement	57,282	
Medical Insurance	157,560	
Dental Insurance	8,551	
Unemployment Compensation	1,197	
Employer Medicare	12,362	
Other Contracted Services	36,667	
Instructional Supplies and Materials	188,250	
Other Supplies and Materials	31,089	
Other Charges	150	
Regular Instruction Equipment	122,375	
Total Regular Instruction Program		\$ 1,554,846

Special Education Program

Teachers	\$ 2,743	
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(Continued)

Exhibit K-9

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Educational Assistants	\$	257,245	
Speech Pathologist		39,824	
Other Salaries and Wages		4,889	
Social Security		18,203	
State Retirement		27,460	
Medical Insurance		152,421	
Dental Insurance		8,577	
Unemployment Compensation		1,092	
Employer Medicare		4,257	
Other Contracted Services		318	
Instructional Supplies and Materials		8,222	
Other Supplies and Materials		224	
Total Special Education Program			\$ 525,475

Vocational Education Program

Teachers	\$	29,440	
Social Security		1,781	
State Retirement		1,837	
Medical Insurance		3,727	
Dental Insurance		253	
Unemployment Compensation		39	
Employer Medicare		417	
Other Supplies and Materials		3,645	
Vocational Instruction Equipment		42,457	
Total Vocational Education Program			83,596

Support Services

Other Student Support

Psychological Personnel	\$	8,520	
Other Salaries and Wages		13,440	
Social Security		1,362	
State Retirement		1,793	
Medical Insurance		4,000	
Dental Insurance		250	
Unemployment Compensation		4	
Employer Medicare		318	
Evaluation and Testing		6,854	
Travel		13,186	
Other Contracted Services		3,720	

(Continued)

Exhibit K-9

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Other Supplies and Materials	\$	6,007	
In Service/Staff Development		<u>5,710</u>	
Total Other Student Support	\$		65,164

Regular Instruction Program

Supervisor/Director	\$	71,828	
Other Salaries and Wages		322,552	
Social Security		23,524	
State Retirement		24,553	
Medical Insurance		42,165	
Dental Insurance		2,100	
Unemployment Compensation		370	
Employer Medicare		5,502	
Travel		61,223	
Library Books/Media		5,394	
Other Supplies and Materials		6,501	
In Service/Staff Development		95,066	
Other Charges		3,042	
Other Equipment		<u>2,856</u>	
Total Regular Instruction Program			666,676

Special Education Program

Psychological Personnel	\$	42,804	
Assessment Personnel		51,431	
Secretary(ies)		9,816	
Other Salaries and Wages		36,907	
Social Security		8,520	
State Retirement		12,144	
Medical Insurance		11,109	
Dental Insurance		607	
Unemployment Compensation		186	
Employer Medicare		1,993	
Travel		2,954	
Other Contracted Services		22,693	
Other Supplies and Materials		2,517	
In Service/Staff Development		<u>900</u>	
Total Special Education Program			204,581

(Continued)

Exhibit K-9

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Vocational Education Program

Other Salaries and Wages	\$	440	
Social Security		27	
State Retirement		27	
Employer Medicare		6	
In Service/Staff Development		835	
Total Vocational Education Program			\$ 1,335

Transportation

Bus Drivers	\$	7,380	
Social Security		455	
State Retirement		615	
Unemployment Compensation		7	
Employer Medicare		107	
Diesel Fuel		13,659	
Total Transportation			22,223

Total School Federal Projects Fund \$ 3,123,896

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	565,485	
Other Salaries and Wages		35,722	
Social Security		36,649	
State Retirement		50,771	
Unemployment Compensation		2,451	
Employer Medicare		8,571	
Communication		3,684	
Maintenance and Repair Services - Equipment		16,904	
Transportation - Other than Students		7,664	
Travel		2,110	
Other Contracted Services		21,330	
Food Preparation Supplies		56,132	
Food Supplies		896,139	
Office Supplies		4,339	
Other Supplies and Materials		33,423	
In Service/Staff Development		450	
Other Charges		665	
Food Service Equipment		88,149	
Total Food Service			\$ 1,830,638

Total Central Cafeteria Fund 1,830,638

Total Governmental Funds - Hardin County School Department \$ 29,513,779

Exhibit K-10

Hardin County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2008

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 2,394,960
Total Cash Receipts	<u>\$ 2,394,960</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 2,371,010
Trustee's Commission	23,950
Total Cash Disbursements	<u>\$ 2,394,960</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2007	<u>0</u>
Cash Balance, June 30, 2008	<u><u>\$ 0</u></u>

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SINGLE AUDIT SECTION

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841

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

January 5, 2009

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise Hardin County's basic financial statements and have issued our report thereon dated January 5, 2009. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Park Rest Hardin County Health Center (enterprise fund), the discretely presented Hardin Medical Center, Hardin County Emergency Communications District, and Hardin County Convention and Visitors Bureau as described in our report on Hardin County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hardin 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 Hardin County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hardin 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: 08.01, 08.03, 08.07, 08.08, 08.09, and 08.11.

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 Hardin 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 material weaknesses. However, of the significant deficiencies described above, we consider items 08.01 and 08.03 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hardin County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 08.02, 08.04, 08.05, and 08.06.

We consider item 08.10 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 Hardin County in separate communications.

Hardin 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 Hardin 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 commissioner, County Commission, Board of Education, Highway Commission, others within Hardin 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/yu

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841

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

January 5, 2009

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Hardin County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Hardin County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Hardin County's management. Our responsibility is to express an opinion on Hardin County's compliance based on our audit.

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

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

In our opinion, Hardin County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Hardin 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 Hardin 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 Hardin 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

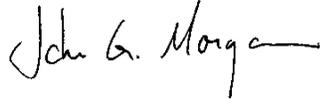
We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County as of and for the year ended June 30, 2008, and have issued our report thereon dated January 5, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Hardin County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards 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.

Hardin 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 Hardin 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 commissioner, County Commission, Board of Education, Highway Commission, others within Hardin 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.

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/yu

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Hardin County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2008

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:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	\$ 120,354 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	310,818
National School Lunch Program	10.555	N/A	798,497 (3)
Summer Food Service Program for Children	10.559	N/A	10,613
Total U.S. Department of Agriculture			\$ 1,240,282
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	(2)	\$ 300,000
Total U.S. Department of Housing and Urban Development			\$ 300,000
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(2)	\$ 9,135
Total U.S. Department of Justice			\$ 9,135
U.S. Department of Labor:			
Passed-through Southwest Human Resource Agency:			
Incentive Grants - WIA Section 503	17.267	(2)	\$ 25,000
Total U.S. Department of Transportation			\$ 25,000
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
State and Community Highway Safety	20.600	Z0802370600	\$ 116,565
Total U.S. Department of Transportation			\$ 116,565
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z0802078600	\$ 88,710
Career and Technical Education - Basic Grants to States	84.048	N/A	102,848
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	1,067,181
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	715,440
Special Education - Preschool Grants	84.173	N/A	30,842
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	24,606
Twenty-First Century Community Learning Centers	84.287	N/A	298,364
State Grants for Innovative Programs	84.298	N/A	6,854
Education Technology State Grants	84.318	(2)	18,710
Reading First State Grants	84.357	(2)	434,133
Rural Education	84.358	N/A	161,663
Improving Teacher Quality State Grants	84.367	N/A	279,477
Total U.S. Department of Education			\$ 3,228,828

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services:			
Passed-through State Commission on Aging and Disability:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	(2)	\$ 23,878
Total U.S. Department of Health and Human Services			\$ 23,878
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance	97.036	(2)	\$ 74,609
Emergency Management Performance Grants	97.042	(2)	13,182
Assistance to Firefighters Grant	97.044	(2)	61,988
Homeland Security Grant Program	97.067	(2)	29,069
Total U.S. Department of Homeland Security			\$ 178,848
Total Expenditures of Federal Awards			\$ 5,122,536
State Grants:			
		Contract Number	
Litter Program - State Department of Transportation	N/A	Z0802100100	\$ 32,908
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	15,093
Election Commission Computer Grant	N/A	(2)	1,773
Community Enhancement Grant - Tennessee Secretary of State	N/A	(2)	10,000
Courtroom Security Grant - Administrative Office of the Courts	N/A	(2)	31,621
Library Grant	N/A	(2)	3,500
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	29,248
Recycling Equipment Grant - State Department of Environment and Conservation	N/A	(2)	22,488
Used Oil Grant - State Department of Environment and Conservation	N/A	(2)	10,546
Tobacco Cessation Grant - State Department of Health	N/A	GG082335100	15,789
Coordinated School Health - State Department of Education	N/A	GZ8/AAX 9	83,740
Safe Schools Act of 2003 - State Department of Education	N/A	(2)	40,055
Early Childhood Education - State Department of Education	N/A	(2)	517,765
Total State Grants			\$ 814,526

CFDA = Catalog of Federal Domestic Assistance
 N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total for CFDA No. 10.555 is \$918,851.

Hardin County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2008

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Hardin County, Tennessee, for the year ended June 30, 2007, which have not been corrected.

OFFICE OF DIRECTOR OF SCHOOLS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.01	188	Expenditures exceeded appropriations

OTHER FINDINGS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.04	190	A central system of accounting, budgeting, and purchasing had not been adopted
07.05	190	Duties were not segregated adequately in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Register, and Sheriff

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HARDIN COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2008

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Hardin County is unqualified.
2. The audit of the financial statements of Hardin County disclosed significant deficiencies in internal control. Two of these deficiencies were considered to be material weaknesses.
3. The audit disclosed no instances of noncompliance that are material to the financial statements of Hardin 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: School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children (CFDA Nos. 10.553, 10.555, and 10.559); Community Development Block Grants (CFDA No. 14.228); and Reading First State Grants (CFDA No. 84.357) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Hardin County did qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The written responses of the county mayor and the School Department's finance director are 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.

HARDIN COUNTY AND HARDIN COUNTY SCHOOL DEPARTMENT

FINDING 08.01 **SEVERAL FUNDS REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION**
(Internal Control – Material Weakness Under Government Auditing Standards)

Generally accepted accounting principles require Hardin County and the Hardin County School Department to have adequate internal controls over the maintenance of their accounting records. At June 30, 2008, certain general ledger account balances in the General, Highway/Public Works, and General Purpose School funds were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Therefore, the county's and the School Department's financial reporting systems did not prevent, detect, or correct potential misstatements in the accounting records. Although it is permissible for us, as the external auditors, to assist the county and the School Department in preparing their financial statements, it is a strong indicator of a material weakness in internal controls if the county and the School Department have ineffective controls over the maintenance of their accounting records which are used to prepare the financial statements, including the related notes to the financial statements. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

Hardin County and the Hardin County School Department should have appropriate processes in place to ensure that their general ledgers are materially correct.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

Hardin County's accounting staff produces many general ledger entries throughout each fiscal year. As past history will prove, Hardin County receives very few audit adjustments each year. However, for Hardin County to provide effective controls over its accounting records, all necessary adjustments will be properly posted in the future.

MANAGEMENT'S RESPONSE – SCHOOL DEPARTMENT FINANCE DIRECTOR

To have the most accurate information as possible, adjustments for deferred revenues have not been made as of the end of the fiscal year in the past. Those adjustments have been left for the auditors to make when accurate information has been made available. In the future, reasonable estimates will be made so that adjustments for deferred revenues can be included in the information provided to the auditor.

OFFICE OF HIGHWAY COMMISSIONER

FINDING 08.02 THE HIGHWAY DEPARTMENT FAILED TO COMPLY WITH STATE STATUTES WHEN ENTERING INTO A LEASE-PURCHASE AGREEMENT
(Noncompliance Under Government Auditing Standards)

On September 13, 2007, the Highway Department entered into a three-year lease-purchase agreement for a backhoe (\$70,228) without the prior approval of the County Commission. Section 7-51-904, Tennessee Code Annotated (TCA), requires lease-purchase agreements to be approved by the County Commission. Additionally, the office did not file a Report on Debt Obligation with the state director of Local Finance until April 28, 2008. Section 9-21-151, TCA, requires that within 45 days following the issuance of debt, the county must provide to the state director of Local Finance certain information, such as a description of the purchase for which the debt was issued, and a description of the debt obligation. This lease-purchase agreement was discussed with the Highway Commission; however, the Highway Commissioner was not aware that it had to be approved by the County Commission and that a Report on Debt Obligation had to be filed with the state director of Local Finance within 45 days of the debt issuance.

RECOMMENDATION

Lease-purchase agreements should be approved by the County Commission, and the county should file a Report on Debt Obligation with the state director of Local Finance within 45 days of the issuance of the debt.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 08.03 THE SCHOOL FEDERAL PROJECTS FUND HAD A CASH OVERDRAFT
(Internal Control – Material Weakness Under Government Auditing Standards)

The School Federal Projects Fund had a cash overdraft of \$176,661 at June 30, 2008. This overdraft resulted from the issuance of warrants exceeding cash on deposit with the county

trustee. The School Department had anticipated receiving grant funds in June; however, the funds were not received until July. The cash overdraft was liquidated in July 2008.

RECOMMENDATION

The office should not make disbursements exceeding available cash on deposit with the county trustee.

MANAGEMENT’S RESPONSE – SCHOOL DEPARTMENT FINANCE DIRECTOR

Several reimbursable federal grants make it very hard to manage cash in the School Federal Projects Fund. The funds must be expended before draw-downs can be made. Treasury regulations require us to minimize the time lapse between the request of funds and the disbursement of funds to 72 hours. With the present system of having to report expenditures before requested funds are released, timing can be a problem. However, we will continue to do our best to prevent such overdrafts.

FINDING 08.04 **THE SCHOOL DEPARTMENT FAILED TO COMPLY WITH STATE STATUTES WHEN ENTERING INTO LEASE-PURCHASE AGREEMENTS**
(Noncompliance Under Government Auditing Standards)

The School Department entered into the following lease-purchase agreements without prior approval of the County Commission:

Date of Contract	Length in Years	Description	Amount
1-10-07	5	Dodge Ram Truck	\$ 24,362
7-25-08	4	Chevrolet Silverado Truck	25,895
7-25-08	4	Chevrolet Impala	20,483

Section 7-51-904, Tennessee Code Annotated (TCA), requires lease-purchase agreements to be approved by the County Commission. Additionally, the office did not file Reports on Debt Obligation with the state director of Local Finance. Section 9-21-151, TCA, requires that within 45 days following the issuance of debt, the School Department must provide to the state director of Local Finance certain information, such as a description of the purchase for which the debt was issued, and a description of the debt obligation. The School Department thought the leases were operating leases and did not think County Commission approval was necessary.

RECOMMENDATION

Lease-purchase agreements should be approved by the County Commission, and the School Department should file a Report on Debt Obligation with the state director of Local Finance within 45 days of the issuance of the debt.

MANAGEMENT'S RESPONSE – SCHOOL DEPARTMENT FINANCE DIRECTOR

It was our understanding that the leases involved were operating leases, not lease-purchases. The leases have a non-appropriation clause which allows for the termination of the leases, without penalty, if the funds cannot be appropriated and budgeted to make the lease payments. We will not use leases in the future for our equipment needs.

AUDITOR'S REBUTTAL

Section 7-51-904 TCA, requires operating leases as well as lease-purchase agreements to first be approved by the County Commission regardless of the period or term of such contract before such contract is entered into by the School Department.

FINDING 08.05 **EXPENDITURES EXCEEDED APPROPRIATIONS**
(Noncompliance Under Government Auditing Standards)

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

- A. Expenditures and encumbrances exceeded appropriations approved by the County Commission in the Board of Education, Office of Principal, and Education Debt Service major appropriation categories (the legal level of control) of the General Purpose School Fund by \$12,963, \$35,075, and \$53,212, respectively.

- B. In numerous instances, salaries exceeded line-item appropriations in the General Purpose School and School Federal Projects funds by amounts ranging from \$49 to \$20,063. The budget resolution approved by the County Commission states that the salary, wages, or enumeration of each official, employee, or agent of the county will not exceed expenditures that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the County Commission.

Section 5-9-401, Tennessee Code Annotated, states, "All funds from whatever source derived including, but not limited to taxes, county aid funds, federal funds, and fines that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies." These deficiencies exist because management failed to hold spending to the limit authorized by the County Commission, which resulted in unauthorized expenditures.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – SCHOOL DEPARTMENT FINANCE DIRECTOR

As always, we strive to keep expenditures within approved appropriations. However, occasionally, line-items or even categories are exceeded. We will continue to work on improving our internal monitoring of expenditures as they relate to the budget.

FINDING 08.06 **COMPETITIVE BIDS WERE NOT SOLICITED FOR THE PURCHASE OF A BOILER**
(Noncompliance Under Government Auditing Standards)

Competitive bids were not solicited for the purchase of a boiler totaling \$25,214. Section 49-2-203, Tennessee Code Annotated, requires public advertising and solicitation of competitive bids for purchases exceeding \$10,000. The School Department considered this an emergency purchase and obtained price quotes in June 2007; however, the boiler was not purchased and installed until October 2007.

RECOMMENDATION

Competitive bids should be solicited for all purchases exceeding \$10,000 as required by state statute.

MANAGEMENT'S RESPONSE – SCHOOL DEPARTMENT FINANCE DIRECTOR

Care will be taken in the future to make sure all purchases requiring bids have been properly procured.

OFFICE OF COUNTY CLERK

FINDING 08.07 **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. Sound business practices dictate that proper controls be implemented. Without these controls, unauthorized system access could occur.

RECOMMENDATION

The office should implement adequate controls to protect its information resources.

OFFICE OF CIRCUIT COURT CLERK

FINDING 08.08 **THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES**

(Internal Control – Significant Deficiency Under Government Auditing Standards)

System backups were not stored off-site until several months into the fiscal year. Sound business practices dictate that system backups be stored off-site. This deficiency is the result of management's failure to implement adequate disaster recovery planning procedures. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process. Proper system backup procedures are now in place.

OFFICES OF COUNTY CLERK AND CIRCUIT COURT CLERK

FINDING 08.09 **THE COUNTY CLERK AND CIRCUIT COURT CLERK DID NOT REVIEW SOFTWARE AUDIT LOGS**

(Internal Control – Significant Deficiency Under Government Auditing Standards)

The software applications used by the county clerk and the circuit court clerk generated daily audit logs that displayed changes made by users. Since these logs provided the only audit trails of these changes, they should be reviewed daily for inappropriate activity. Because they were not aware of its importance, management did not begin reviewing these logs until several months into the fiscal year. Procedures for reviewing these logs are currently in place.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 08.10 **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**

(Internal Control – Control Deficiency Under Government Auditing Standards)

County officials had not adopted a central system of accounting, budgeting, and purchasing. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The

absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY MAYOR

Management will continue to encourage the establishment of central accounting, budgeting, and purchasing.

FINDING 08.11 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, REGISTER, AND SHERIFF**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Register, and Sheriff. Officials and employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. Accounting standards provide that internal controls be designed to provide reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of managements' decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions.

RECOMMENDATION

Officials should segregate duties to the extent possible using available resources.

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

There were no findings and questioned costs for federal awards.

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**HARDIN COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2008**

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