



**ANNUAL FINANCIAL REPORT
HARDEMAN COUNTY, TENNESSEE**



FOR THE YEAR ENDED JUNE 30, 2008



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ANNUAL FINANCIAL REPORT
HARDEMAN 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

NORMAN R. NORMENT, CGFM
Audit Manager

HORACE B. WISEMAN, CGFM
Auditor 4

VICKY BARBER, CFE
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
Hardeman County, Tennessee
For the Year Ended June 30, 2008

Scope

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

Results

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

Our audit resulted in 12 findings and recommendations, which we have reviewed with Hardeman 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:

OFFICE OF COUNTY MAYOR

- ◆ The Emergency Medical Services director and a medical technician misappropriated county funds, resulting in a cash shortage of \$2,898.79.
 - ◆ A cash shortage of \$3,032.47 existed in the Solid Waste Disposal Fund at June 30, 2008.
 - ◆ The Solid Waste Disposal Fund had a deficit of \$2,142,040 in unrestricted net assets at June 30, 2008. This deficit primarily resulted from the recognition of a liability (\$2,299,406) for future costs associated with closing the county's landfill and monitoring the landfill for 30 years after closure.
 - ◆ The Solid Waste Office does not have policies and procedures for delinquent and uncollectible accounts.
 - ◆ The software previously used by the Landfill Office did not have adequate application controls.
 - ◆ The Landfill Office had deficiencies in computer backup procedures.
-

OFFICE OF HIGHWAY SUPERINTENDENT

- ◆ The Highway/Public Works Fund appropriations exceeded estimated available funds causing a budget deficit of \$193,686.
-

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ Duties were not segregated adequately in the office.
 - ◆ The office failed to comply with state statutes when entering into a lease-agreement.
-

OFFICE OF SHERIFF

- ◆ The office did not comply with federal regulations and local personnel policies for compensatory time.
-

OTHER FINDINGS

- ◆ The Offices of Solid Waste, County Clerk, and Clerk and Master did not review software audit logs.
- ◆ County officials had not adopted a central system of accounting and budgeting.

INTRODUCTORY SECTION

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Hardeman County Officials

June 30, 2008

Officials

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

Board of County Commissioners

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

Board of Highway Supervisors

Russell DeBerry, Chairman
Mike Mitchell
Kenny Pulse

Board of Education

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

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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 37243-0269
PHONE (615) 401-7841**

INDEPENDENT AUDITOR'S REPORT

November 18, 2008

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardeman County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise Hardeman County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hardeman County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

In our opinion, except for the effects of not including the financial statements of the Hardeman County Emergency Communications District, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component units of Hardeman County, Tennessee, at June 30, 2008, and the results of operations of the aggregate discretely presented component units, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hardeman County, Tennessee, as of June 30, 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 November 18, 2008, on our consideration of Hardeman County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note V.B., Hardeman County implemented the provisions of Governmental Accounting Standards Board 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.

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

The budgetary comparison, pension, and other postemployment benefits information on pages 71 through 79 are not required parts of the basic financial statements but they do provide supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/yu

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BASIC FINANCIAL STATEMENTS

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Exhibit A

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

	Primary Government			Component Unit
	Governmental Activities	Business- type Activities	Total	Hardeman County School Department
<u>ASSETS</u>				
Cash	\$ 125,774	\$ 200	\$ 125,974	\$ 22,303
Equity in Pooled Cash and Investments	5,636,827	168,997	5,805,824	4,956,539
Accounts Receivable	1,681,478	99,834	1,781,312	21,101
Allowance for Uncollectibles	(839,715)	(78,028)	(917,743)	0
Due from Other Governments	738,933	0	738,933	844,223
Property Taxes Receivable	2,807,564	0	2,807,564	5,064,754
Allowance for Uncollectible Property Taxes	(111,219)	0	(111,219)	(184,232)
Cash Shortage	0	3,032	3,032	0
Deferred Charges - Debt Issuance Costs	48,263	0	48,263	0
Capital Assets:				
Assets Not Depreciated:				
Land	1,450,124	219,838	1,669,962	358,501
Construction in Progress	644,698	0	644,698	0
Assets Net of Accumulated Depreciation:				
Buildings and Improvements	1,618,901	1,647,485	3,266,386	13,855,724
Infrastructure	12,035,979	0	12,035,979	0
Other Capital Assets	1,321,850	328,111	1,649,961	2,081,730
Total Assets	<u>\$ 27,159,457</u>	<u>\$ 2,389,469</u>	<u>\$ 29,548,926</u>	<u>\$ 27,020,643</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 93,103	\$ 24,832	\$ 117,935	\$ 2,372
Payroll Deductions Payable	2,158	67	2,225	591,197
Contracts Payable	299,350	0	299,350	0
Due to State of Tennessee	1,476	205	1,681	0
Accrued Interest Payable	71,641	0	71,641	0
Deferred Revenue - Current Property Taxes	2,567,926	0	2,567,926	4,686,468
Noncurrent Liabilities:				
Due Within One Year	659,158	318,205	977,363	77,017
Due in More Than One Year	6,314,941	2,731,354	9,046,295	290,988
Total Liabilities	<u>\$ 10,009,753</u>	<u>\$ 3,074,663</u>	<u>\$ 13,084,416</u>	<u>\$ 5,648,042</u>
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	\$ 16,105,856	\$ 1,456,846	\$ 17,562,702	\$ 16,295,955
Restricted for:				
Highway	1,363,823	0	1,363,823	0
Debt Service	1,174,512	0	1,174,512	0
Capital Projects	951,729	0	951,729	0
Litigation Tax - Jail, Workhouse, or Courthouse	285,269	0	285,269	0
Drug Control	103,429	0	103,429	0
Alcohol and Drug Treatment	63,952	0	63,952	0
Computer System - Register	33,400	0	33,400	0
Automation Purposes - General Sessions	38,708	0	38,708	0
School Federal Projects	0	0	0	195,699
Central Cafeteria	0	0	0	533,492
Other Purposes	14,435	0	14,435	54,246
Unrestricted	(2,985,409)	(2,142,040)	(5,127,449)	4,293,209
Total Net Assets	<u>\$ 17,149,704</u>	<u>\$ (685,194)</u>	<u>\$ 16,464,510</u>	<u>\$ 21,372,601</u>

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

Exhibit B

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit Hardeman County School Department
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business- type Activities		
Primary Government:								
Governmental Activities:								
General Government	\$ 893,288	\$ 144,348	\$ 80,068	\$ 0	\$ (668,872)	\$ 0	\$ (668,872)	\$ 0
Finance	723,370	582,831	12,650	0	(127,889)	0	(127,889)	0
Administration of Justice	714,622	744,964	24,500	0	54,842	0	54,842	0
Public Safety	2,562,264	183,070	9,000	206,242	(2,163,952)	0	(2,163,952)	0
Public Health and Welfare	2,830,286	1,361,237	485,619	0	(983,430)	0	(983,430)	0
Social, Cultural, and Recreational Services	101,822	0	0	0	(101,822)	0	(101,822)	0
Agriculture and Natural Resources	123,174	0	0	0	(123,174)	0	(123,174)	0
Other Operations	400,209	0	23,491	83,389	(293,329)	0	(293,329)	0
Highways/Public Works	3,020,514	0	2,059,658	518,279	(442,577)	0	(442,577)	0
Interest on Long-term Debt	443,200	0	0	0	(443,200)	0	(443,200)	0
Other Debt Service	30,618	0	733,875	0	703,257	0	703,257	0
Total Governmental Activities	\$ 11,843,367	\$ 3,016,450	\$ 3,428,861	\$ 807,910	\$ (4,590,146)	\$ 0	\$ (4,590,146)	\$ 0
Business-type Activities:								
Solid Waste Disposal Fund	\$ 1,026,203	\$ 1,191,144	\$ 9,500	\$ 0	\$ 0	\$ 174,441	\$ 174,441	\$ 0
Total Business-type Activities	\$ 1,026,203	\$ 1,191,144	\$ 9,500	\$ 0	\$ 0	\$ 174,441	\$ 174,441	\$ 0
Total Primary Government	\$ 12,869,570	\$ 4,207,594	\$ 3,438,361	\$ 807,910	\$ (4,590,146)	\$ 174,441	\$ (4,415,705)	\$ 0
Component Unit:								
Hardeman County	\$ 35,909,327	\$ 668,942	\$ 4,493,839	\$ 198,816	\$ 0	\$ 0	\$ (30,547,730)	\$ (30,547,730)
School Department	\$ 35,909,327	\$ 668,942	\$ 4,493,839	\$ 198,816	\$ 0	\$ 0	\$ (30,547,730)	\$ (30,547,730)
Total Component Unit	\$ 71,818,904	\$ 1,337,884	\$ 8,987,208	\$ 397,632	\$ 0	\$ 0	\$ (61,095,460)	\$ (61,095,460)

(Continued)

Exhibit B

Hardeman County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
				Governmental Activities	Business-type Activities		
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes				\$ 3,041,075	\$ 0	\$ 3,041,075	\$ 4,714,749
Property Taxes Levied for Debt Service				34,007	0	34,007	0
Local Option Sales Tax				235,971	0	235,971	2,503,870
Wheel Tax				1,356,227	0	1,356,227	0
Wholesale Beer Tax				221,635	0	221,635	0
Litigation Tax				173,065	0	173,065	0
Business Tax				159,875	0	159,875	0
Other Local Taxes				13,930	0	13,930	3,621
Grants and Contributions Not Restricted for Specific Programs				1,078,129	0	1,078,129	22,603,007
Unrestricted Investment Earnings				563,209	4,380	567,589	9,338
Miscellaneous				85,494	0	85,494	835,034
Sale of Land/Equipment				0	0	0	500
Total General Revenues				\$ 6,962,617	\$ 4,380	\$ 6,966,997	\$ 30,670,119
Change in Net Assets				\$ 2,372,471	\$ 178,821	\$ 2,551,292	\$ 122,389
Net Assets, July 1, 2007				14,777,233	(864,015)	13,913,218	20,352,859
Prior-period Adjustment				0	0	0	897,353
Net Assets, June 30, 2008				\$ 17,149,704	\$ (685,194)	\$ 16,464,510	\$ 21,372,601

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

Exhibit C-1

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other Governmental Funds	Governmental Funds	
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 125,774	\$ 125,774	\$ 125,774
Equity in Pooled Cash and Investments	2,532,594	1,059,223	1,003,457	575,405	466,148	5,636,827	5,636,827
Accounts Receivable	1,667,303	0	56	0	14,119	1,681,478	1,681,478
Allowance for Uncollectibles	(839,715)	0	0	0	0	(839,715)	(839,715)
Due from Other Governments	80,966	657,967	0	0	0	738,933	738,933
Due from Other Funds	32	0	0	0	0	32	32
Property Taxes Receivable	2,772,732	0	34,832	0	0	2,807,564	2,807,564
Allowance for Uncollectible Property Taxes	(109,912)	0	(1,307)	0	0	(111,219)	(111,219)
Total Assets	\$ 6,104,000	\$ 1,717,190	\$ 1,037,038	\$ 575,405	\$ 606,041	\$ 10,039,674	\$ 10,039,674

ASSETS

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>							
Accounts Payable	\$ 92,853	\$ 0	\$ 0	\$ 250	\$ 0	\$ 93,103	\$ 93,103
Payroll Deductions Payable	1,994	164	0	0	0	2,158	2,158
Contracts Payable	0	299,350	0	0	0	299,350	299,350
Due to Other Funds	0	0	0	0	32	32	32
Due to State of Tennessee	1,476	0	0	0	0	1,476	1,476
Deferred Revenue - Current Property Taxes	2,535,828	0	32,098	0	0	2,567,926	2,567,926
Deferred Revenue - Delinquent Property Taxes	114,371	0	1,285	0	0	115,656	115,656
Other Deferred Revenues	842,174	411,393	0	0	0	1,253,567	1,253,567
Total Liabilities	\$ 3,588,696	\$ 710,907	\$ 33,383	\$ 250	\$ 32	\$ 4,333,268	\$ 4,333,268

(Continued)

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other	Governmental Funds	
\$ 63,952 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	63,952
285,269	0	0	0	0	0	0	285,269
806	0	0	0	0	0	0	806
33,400	0	0	0	0	0	0	33,400
1,568	0	0	0	0	0	0	1,568
38,708	0	0	0	0	0	0	38,708
3,960	0	0	0	0	0	0	3,960
2,335	0	0	0	0	0	0	2,335
5,714	0	0	0	0	0	0	5,714
52	0	0	0	0	0	0	52
2,079,540	0	0	0	0	0	0	2,079,540
0	1,006,283	0	0	0	229,435	0	1,235,718
0	0	1,003,655	0	0	0	0	1,003,655
0	0	0	575,155	0	376,574	0	951,729
<u>\$ 2,515,304 \$</u>	<u>\$ 1,006,283 \$</u>	<u>\$ 1,003,655 \$</u>	<u>\$ 575,155 \$</u>	<u>\$ 575,155 \$</u>	<u>\$ 606,009 \$</u>	<u>\$ 5,706,406</u>	
<u>\$ 6,104,000 \$</u>	<u>\$ 1,717,190 \$</u>	<u>\$ 1,037,038 \$</u>	<u>\$ 575,405 \$</u>	<u>\$ 606,041 \$</u>	<u>\$ 10,039,674</u>		

LIABILITIES AND FUND BALANCES (CONT.)

Fund Balances
Reserved for Alcohol and Drug Treatment
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse
Reserved for Courtroom Security
Reserved for Computer System - Register
Reserved for Automation Purposes - Circuit Court
Reserved for Automation Purposes - General Sessions Court
Reserved for Automation Purposes - Juvenile Court
Reserved for Automation Purposes - Chancery Court
Reserved for Automation Purposes - Sheriff
Reserved for Other General Purposes
Unreserved, Reported In:
General Fund
Special Revenue Funds
Debt Service Funds
Capital Projects Funds
Total Fund Balances

Total Liabilities and Fund Balances

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

Exhibit C-2

Hardeman County, Tennessee

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

June 30, 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)		\$ 5,706,406
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 1,450,124	
Add: construction in progress	644,698	
Add: infrastructure net of accumulated depreciation	12,035,979	
Add: buildings and improvements net of accumulated depreciation	1,618,901	
Add: other capital assets net of accumulated depreciation	<u>1,321,850</u>	17,071,552
(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	\$ (834,128)	
Less: capital leases payable	(66,568)	
Less: bonds payable	(6,170,000)	
Add: deferred amount on refunding	231,932	
Add: deferred charges - debt issuance costs	48,263	
Less: compensated absences payable	(135,335)	
Less: accrued interest on bonds, notes, and capital leases	<u>(71,641)</u>	(6,997,477)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>1,369,223</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 17,149,704</u>

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

Exhibit C-3

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other Governmental Funds		
Revenues							
Local Taxes	\$ 4,116,589	\$ 776,438	\$ 34,518	\$ 579,789	\$ 0	\$ 0	\$ 5,507,334
Licenses and Permits	19,802	0	0	0	0	0	19,802
Fines, Forfeitures, and Penalties	152,560	0	0	0	54,249	0	206,809
Charges for Current Services	1,397,056	0	0	0	512,553	0	1,909,609
Other Local Revenues	540,890	1,706	0	153,555	3,305	0	699,456
Fees Received from County Officials	747,052	0	0	0	0	0	747,052
State of Tennessee	1,336,915	2,485,419	0	0	0	0	3,822,334
Federal Government	139,297	0	0	0	0	0	139,297
Other Governments and Citizens Groups	23,491	0	733,875	9,465,065	0	0	10,222,431
Total Revenues	\$ 8,473,652	\$ 3,263,563	\$ 768,393	\$ 10,198,409	\$ 570,107	\$ 0	\$ 23,274,124
Expenditures							
Current:							
General Government	\$ 587,477	\$ 0	\$ 0	\$ 0	\$ 111,757	\$ 0	\$ 699,234
Finance	275,044	0	0	0	286,438	0	561,482
Administration of Justice	420,729	0	0	0	117,277	0	538,006
Public Safety	1,857,347	0	0	0	46,875	0	1,904,222
Public Health and Welfare	2,241,268	0	0	0	0	0	2,241,268
Social, Cultural, and Recreational Services	87,907	0	0	0	0	0	87,907
Agriculture and Natural Resources	123,174	0	0	0	0	0	123,174
Other Operations	2,273,540	0	0	0	0	0	2,273,540
Highways	0	4,036,192	0	0	0	0	4,036,192
Debt Service:							
Principal on Debt	0	0	501,639	9,300,000	0	0	9,801,638
Interest on Debt	0	0	276,411	165,065	0	0	441,477
Other Debt Service	0	0	1,565	0	0	0	1,565
Capital Projects	0	0	0	9,458,189	10,000	0	9,468,189
Total Expenditures	\$ 7,866,486	\$ 4,036,192	\$ 779,615	\$ 18,923,254	\$ 572,347	\$ 0	\$ 32,177,894
Excess (Deficiency) of Revenues Over Expenditures	\$ 607,166	\$ (772,629)	\$ (11,222)	\$ (8,724,845)	\$ (2,240)	\$ 0	\$ (8,903,770)

(Continued)

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other Governmental Funds		
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 300,000	\$ 0	\$ 9,300,000	\$ 390,000	\$ 9,990,000	\$ 9,990,000
Insurance Recovery	2,789	0	0	0	0	2,789	2,789
Transfers In	0	0	33,611	0	0	33,611	33,611
Transfers Out	(26,187)	0	0	0	(7,424)	(33,611)	(33,611)
Total Other Financing Sources (Uses)	\$ (23,398)	\$ 300,000	\$ 33,611	\$ 9,300,000	\$ 382,576	\$ 9,992,789	\$ 9,992,789
Net Change in Fund Balances	\$ 583,768	\$ (472,629)	\$ 22,389	\$ 575,155	\$ 380,336	\$ 1,089,019	\$ 1,089,019
Fund Balance, July 1, 2007	1,931,536	1,478,912	981,266	0	225,673	4,617,387	4,617,387
Fund Balance, June 30, 2008	\$ 2,515,304	\$ 1,006,283	\$ 1,003,655	\$ 575,155	\$ 606,009	\$ 5,706,406	\$ 5,706,406

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

Exhibit C-4

Hardeman County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 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)		\$ 1,089,019
(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	\$ 2,439,681	
Less: current year depreciation expense	<u>(1,215,914)</u>	1,223,767
(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	\$ 1,369,223	
Less: deferred delinquent property taxes and other deferred June 30, 2007	<u>(1,127,509)</u>	241,714
(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items.		
Less: note proceeds	\$ (9,990,000)	
Less: change in deferred debt issuance costs	(3,074)	
Add: principal payments on bonds	403,000	
Add: principal payments on notes	9,398,639	
Add: principal payments on capital leases	64,410	
Less: change in deferred amount on refunding debt	<u>(25,979)</u>	(153,004)
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ (1,723)	
Change in compensated absences payable	<u>(27,302)</u>	<u>(29,025)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 2,372,471</u>

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

Exhibit D-1

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

	<u>Major Fund</u>
	<u>Enterprise</u>
	<u>Fund</u>
	<u>Solid Waste</u>
	<u>Disposal</u>
	<u>Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 200
Equity in Pooled Cash and Investments	168,997
Accounts Receivable	99,834
Allowance for Uncollectibles	(78,028)
Cash Shortage	3,032
Total Current Assets	<u>\$ 194,035</u>
Noncurrent Assets:	
Capital Assets:	
Assets Not Depreciated:	
Land	\$ 219,838
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	1,647,485
Machinery and Equipment	328,111
Total Noncurrent Assets	<u>\$ 2,195,434</u>
Total Assets	<u>\$ 2,389,469</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 24,832
Payroll Deductions Payable	67
Due to State of Tennessee	205
Accrued Liability for Landfill Closure/Postclosure Care Costs	13,434
Compensated Absences Payable	578
Capital Outlay Note Payable	304,194
Total Current Liabilities	<u>\$ 343,310</u>
Noncurrent Liabilities:	
Accrued Liability for Landfill Closure/Postclosure Care Costs	\$ 2,285,972
Compensated Absences Payable	10,987
Capital Outlay Notes Payable	434,394
Total Noncurrent Liabilities	<u>\$ 2,731,353</u>
Total Liabilities	<u>\$ 3,074,663</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 1,456,846
Unrestricted	<u>(2,142,040)</u>
Net Assets	<u>\$ (685,194)</u>

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

Exhibit D-2

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

	<u>Major Fund</u>
	<u>Enterprise</u>
	<u>Fund</u>
	<u>Solid Waste</u>
	<u>Disposal Fund</u>
<u>Operating Revenues</u>	
Solid Waste Disposal Fee	\$ 1,191,144
Total Operating Revenues	<u>\$ 1,191,144</u>
<u>Operating Expenses</u>	
County Official/Administrative Officer	\$ 29,355
Laborers	143,908
Clerical Personnel	34,080
Part-time Personnel	7,983
Compensated Absences	5,208
Social Security	13,126
State Retirement	27,660
Employee and Dependent Insurance	39,813
Disability Insurance	22,210
Unemployment Compensation	960
Employer Medicare	3,070
Communication	9,288
Consultant	34,608
Contracts with Private Agencies	153,199
Maintenance and Repair Services - Buildings	706
Maintenance and Repair Services - Equipment	72,398
Maintenance and Repair Services - Vehicles	8,432
Postal Charges	4,286
Travel	632
Disposal Fees	14,895
Custodial Supplies	725
Data Processing Supplies	2,371
Food Supplies	4,037
Gasoline	45,826
Lubricants	5,507
Office Supplies	4,781
Uniforms	2,505
Utilities	47,685

(Continued)

Exhibit D-2

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

	<u>Major Fund</u> <u>Enterprise</u> <u>Fund</u> <u>Solid Waste</u> <u>Disposal</u> <u>Fund</u>
<u>Operating Expenses (Cont.)</u>	
Gravel and Chert	\$ 5,250
Other Supplies and Materials	28,180
Liability Insurance	7,118
Depreciation	161,340
Surcharge	22,539
Landfill Closure/Postclosure Care Costs	13,434
Other Charges	5,756
Solid Waste Equipment	4,274
Total Operating Expenses	<u>\$ 987,145</u>
Operating Income (Loss)	<u>\$ 203,999</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 4,380
Solid Waste Grants	9,500
Interest on Notes	(39,058)
Total Nonoperating Revenues (Expenses)	<u>\$ (25,178)</u>
Change in Net Assets	\$ 178,821
Net Assets, July 1, 2007	<u>(864,015)</u>
Net Assets, June 30, 2008	<u><u>\$ (685,194)</u></u>

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

Exhibit D-3

Hardeman County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2008

	<u>Major Fund</u>
	<u>Enterprise</u>
	<u>Fund</u>
	<u>Solid Waste</u>
	<u>Disposal</u>
	<u>Fund</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 1,169,562
Payments for Waste Disposal and Maintenance	(843,021)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 326,541</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Solid Waste Grants	\$ 9,500
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ 9,500</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of Capital Assets	\$ (8,000)
Principal Paid on Notes	(292,912)
Interest Paid on Notes	(39,058)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (339,970)</u>
<u>Cash Flows from Investing Activities</u>	
Investment Income	\$ 4,380
Net Cash Provided By (Used In) Investing Activities	<u>\$ 4,380</u>
Increase (Decrease) in Cash	\$ 451
Cash, July 1, 2007	<u>168,746</u>
Cash, June 30, 2008	<u>\$ 169,197</u>
<u>Reconciliation of Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities</u>	
Operating Income (Loss)	\$ 203,999
Adjustment to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities	
Depreciation	161,340
(Increase) in Accounts Receivable	(18,550)
(Increase) in Cash Shortage	(3,032)
(Decrease) in Accounts Payable	(35,875)
(Decrease) in Payroll Deductions Payable	(188)
Increase in Due to State of Tennessee	205
Increase in Compensated Absences Payable	5,208
Increase in Accrued Liability for Landfill Closure/Postclosure Costs	<u>13,434</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 326,541</u>

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

Exhibit E

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 619,149
Due from Other Governments	<u>214,494</u>
Total Assets	<u><u>\$ 833,643</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 214,494
Due to Litigants, Heirs, and Others	<u>619,149</u>
Total Liabilities	<u><u>\$ 833,643</u></u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

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

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

Administrative Office:

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Hardeman County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

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

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

Hardeman County reports the following major governmental funds:

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

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

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

General Capital Projects Fund – This fund accounts for transactions of the Criminal Justice Complex construction.

Hardeman County reports the following major enterprise fund:

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

Additionally, Hardeman County reports the following fund type:

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

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

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

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

2. Receivables and Payables

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

All ambulance, property taxes, and solid waste receivables are shown with an allowance for uncollectibles. Ambulance and solid waste receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 1.97 percent of total taxes levied.

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

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

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

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

3. Capital Assets

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

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

(infrastructure \$10,000) or more and an estimated useful life of more than five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

4. Compensated Absences

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

5. Long-term Obligations

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

net carrying amount of the old debt is netted against the new debt and amortized over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences and other post-employment 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 \$4,029,257 of restricted net assets, of which \$285,269 is restricted by enabling legislation.

As of June 30, 2008, Hardeman County had \$6,105,000 in outstanding debt for capital purposes for the discretely presented Hardeman County School Department. This debt is a liability of Hardeman

County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Hardeman County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

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

7. Prior-period Adjustment

Accumulated depreciation for buildings and improvements in the Hardeman County School Department was restated (\$897,353) because a correction in the prior year was made twice.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Hardeman County School Department

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

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

Primary Government

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

Discretely Presented Hardeman County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers - Fees Fund (special revenue fund), which is not budgeted and capital projects 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, Budget and Finance Committee, Other Boards and Committees, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

B. Unrestricted Net Assets Deficit

The Solid Waste Disposal Fund had a deficit of \$2,142,040 in unrestricted net assets at June 30, 2008. This deficit primarily resulted from the recognition of a liability (\$2,299,406) for costs associated with closing the county's landfill and monitoring the landfill for 30 years after closure.

C. Cash Shortages

The Solid Waste Disposal Fund had a cash shortage of \$3,032.47 at June 30, 2008. Also, during the year, the General Fund's Emergency Medical Services had a cash shortage of \$2,898.79. Details of these cash shortages are discussed in the Schedule of Findings and Questioned Costs section of this report

D. Appropriations Exceeded Estimated Available Funds

The budget and subsequent amendments submitted to and approved by the County Commission for the Highway/Public Works Fund resulted in appropriations exceeding estimated available funding causing a budgeted fund deficit of \$193,686.

E. Expenditures Exceeded Appropriations

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

<u>Major Category</u>	<u>Amount Overspent</u>
General Sessions Court	\$ 170
County Coroner/Medical Examiner	800
Landfill Operation and Maintenance	250

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

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that

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

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

Investments

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

Investment Balances. As of June 30, 2008, Hardeman County had the following investments carried at cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Hardeman County and the discretely presented Hardeman County School Department since both pool their deposits and investments through the county trustee.

Investment	Maturities	Cost
State Treasurer's Investment Pool	Daily	\$ 5,413,584

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

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Hardeman County has no investment policy that would further limit its investment choices. As of June 30, 2008, Hardeman County's investment in the State Treasurer's Investment Pool was unrated.

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	\$ 1,450,124	\$ 0	\$ 0	\$ 1,450,124
Construction in Progress	244,665	400,033	0	644,698
Total Capital Assets Not Depreciated	<u>\$ 1,694,789</u>	<u>\$ 400,033</u>	<u>\$ 0</u>	<u>\$ 2,094,822</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 5,702,858	\$ 0	\$ 0	\$ 5,702,858
Infrastructure	13,119,598	1,483,868	0	14,603,466
Other Capital Assets	3,420,096	555,780	(7,445)	3,968,431
Total Capital Assets Depreciated	<u>\$ 22,242,552</u>	<u>\$ 2,039,648</u>	<u>\$ (7,445)</u>	<u>\$ 24,274,755</u>

Governmental Activities (Cont.):

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 3,938,356	\$ 145,601	\$ 0	\$ 4,083,957
Infrastructure	1,786,145	781,342	0	2,567,487
Other Capital Assets	2,365,055	288,971	(7,445)	2,646,581
Total Accumulated Depreciation	<u>\$ 8,089,556</u>	<u>\$ 1,215,914</u>	<u>\$ (7,445)</u>	<u>\$ 9,298,025</u>
Total Capital Assets Depreciated, Net	<u>\$ 14,152,996</u>	<u>\$ 823,734</u>	<u>\$ 0</u>	<u>\$ 14,976,730</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,847,785</u>	<u>\$ 1,223,767</u>	<u>\$ 0</u>	<u>\$ 17,071,552</u>

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

Governmental Activities:

General Government	\$ 5,432
Finance	5,942
Administration of Justice	5,911
Public Safety	79,441
Public Health and Welfare	97,212
Social, Cultural, and Recreational Services	9,551
Other Operations	42,930
Highways/Public Works	<u>969,495</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,215,914</u>

Business-type Activities:

	Balance 7-1-07	Increases	Balance 6-30-08
Capital Assets Not Depreciated:			
Land	\$ 219,838	\$ 0	\$ 219,838
Total Capital Assets Not Depreciated	<u>\$ 219,838</u>	<u>\$ 0</u>	<u>\$ 219,838</u>

Business-type Activities (Cont.):

	Balance 7-1-07	Increases	Balance 6-30-08
Capital Assets Depreciated:			
Buildings and Improvements	\$ 1,984,592	\$ 0	\$ 1,984,592
Machinery and Equipment	564,808	8,000	572,808
Total Capital Assets Depreciated	<u>\$ 2,549,400</u>	<u>\$ 8,000</u>	<u>\$ 2,557,400</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 244,583	\$ 92,524	\$ 337,107
Machinery and Equipment	175,880	68,817	244,697
Total Accumulated Depreciation	<u>\$ 420,463</u>	<u>\$ 161,341</u>	<u>\$ 581,804</u>
Total Capital Assets Depreciated, Net	<u>\$ 2,128,937</u>	<u>\$ (153,341)</u>	<u>\$ 1,975,596</u>
Business-type Activities Capital Assets, Net	<u>\$ 2,348,775</u>	<u>\$ (153,341)</u>	<u>\$ 2,195,434</u>

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

	Balance 7-1-07	Prior Period Adjustment	Increases	Decreases	Balance 6-30-08
Capital Assets Not Depreciated:					
Land	\$ 358,501	\$ 0	\$ 0	\$ 0	\$ 358,501
Total Capital Assets Not Depreciated	<u>\$ 358,501</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 358,501</u>
Capital Assets Depreciated:					
Buildings and Improvements	\$ 27,215,365	\$ 0	\$ 228,177	\$ 0	\$ 27,443,542
Other Capital Assets	5,772,329	0	628,912	(206,299)	6,194,942
Total Capital Assets Depreciated	<u>\$ 32,987,694</u>	<u>\$ 0</u>	<u>\$ 857,089</u>	<u>\$ (206,299)</u>	<u>\$ 33,638,484</u>

Governmental Activities (Cont.):

	Balance 7-1-07	Prior Period Adjustment	Increases	Decreases	Balance 6-30-08
Less Accumulated Depreciation For: Buildings and Improvements	\$ 13,696,998	\$ (860,000)	\$ 750,820	\$ 0	\$ 13,587,818
Other Capital Assets	3,907,757	(37,353)	449,107	(206,299)	4,113,212
Total Accumulated Depreciation	<u>\$ 17,604,755</u>	<u>\$ (897,353)</u>	<u>\$ 1,199,927</u>	<u>\$ (206,299)</u>	<u>\$ 17,701,030</u>
Total Capital Assets Depreciated, Net	<u>\$ 15,382,939</u>	<u>\$ 897,353</u>	<u>\$ (342,838)</u>	<u>\$ 0</u>	<u>\$ 15,937,454</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,741,440</u>	<u>\$ 897,353</u>	<u>\$ (342,838)</u>	<u>\$ 0</u>	<u>\$ 16,295,955</u>

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

Governmental Activities:

Instruction	\$ 727,386
Support Services	389,676
Operation of Non-Instructional Services	<u>82,865</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,199,927</u>

C. Interfund Receivables, Payables, and Transfers

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	\$ 32
Discretely Presented School Department: General Purpose School	Nonmajor governmental	227,380

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.

The receivable in the General Purpose School Fund was in transit from the School Federal Projects Fund at June 30, 2008.

Interfund Transfers:

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

Primary Government

Transfers Out	Transfers In General Debt Service Fund
General	\$ 26,187
Nonmajor governmental funds	<u>7,424</u>
Total	<u><u>\$ 33,611</u></u>

Discretely Presented Hardeman County School Department

Transfers Out	Transfers In General Purpose School Fund
Nonmajor governmental funds	\$ 155,179
Unemployment Compensation Fund	<u>798</u>
Total	<u><u>\$ 155,977</u></u>

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

C. Capital Leases

Primary Government

On November 28, 2005, Hardeman County entered into a three-year lease-purchase agreement for two trucks. The terms of the agreement require total lease payments of \$193,300 plus interest of 3.3 percent. Title to the

trucks transfers to Hardeman County at the end of the lease period. The lease payments are made from the Highway/Public Works Fund.

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

Year Ending June 30	Governmental Funds
2009	\$ 68,798
Total Minimum Lease Payments	<u>\$ 68,798</u>
Amount Representing Interest	<u>(2,230)</u>
Present Value of Minimum Lease Payments	<u>\$ 66,568</u>

Discretely Presented Hardeman County School Department

On September 1, 2007, the Hardeman County School Department entered into a three-year lease-purchase agreement for modular buildings. The terms of the lease require total lease payments of \$116,091. Title to the buildings transfers to Hardeman County School Department at the end of the lease. The lease payments are made from the General Purpose School Fund. This lease-purchase agreement was not entered into in compliance with state statutes.

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

Year Ending June 30	Governmental Funds
2009	\$ 35,497
2010	35,497
2011	<u>5,916</u>
Present Value of Minimum Lease Payments	<u>\$ 76,910</u>

E. Long-term Debt

Primary Government

General Obligation Bonds and Notes

The county issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund other general obligation bonds.

Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 40 years for bonds and up to 12 years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and notes included in long-term debt as of June 30, 2008, will be retired from the Highway/Public Works and General 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	5 %	\$ 189,000	\$ 65,000
General Obligation Bonds - Refunding	3 to 5.1	7,570,000	6,105,000
Capital Outlay Notes	3 to 4.45	1,335,000	834,128
Capital Leases	3.3	193,300	66,568

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	\$ 363,000	\$ 244,885	\$ 607,885
2010	293,000	231,500	524,500
2011	309,000	219,732	528,732
2012	319,000	207,342	526,342
2013	335,000	194,529	529,529
2014-2018	1,846,000	763,245	2,609,245
2019-2023	2,220,000	368,548	2,588,548
2024	485,000	19,303	504,303
Total	\$ 6,170,000	\$ 2,249,084	\$ 8,419,084

Year Ending June 30	Notes		
	Principal	Interest	Total
2009	\$ 222,823	\$ 34,056	\$ 256,879
2010	139,192	25,946	165,138
2011	133,148	20,503	153,651
2012	34,394	15,060	49,454
2013	34,585	13,534	48,119
2014-2018	189,986	43,375	233,361
2019-2023	80,000	5,340	85,340
Total	\$ 834,128	\$ 157,814	\$ 991,942

There is \$1,003,655 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$220, based on the 2000 federal census. Debt per capita, including bonds, notes, and capital leases totaled \$252, 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
Balance, July 1, 2007	\$ 6,573,000	\$ 242,767
Additions	0	9,990,000
Deductions	(403,000)	(9,398,639)
Balance, June 30, 2008	\$ 6,170,000	\$ 834,128
Balance Due Within One Year	\$ 363,000	\$ 222,823

	Capital Leases	Compensated Absences
Balance, July 1, 2007	\$ 130,978	\$ 108,033
Additions	0	161,675
Deductions	(64,410)	(134,373)
Balance, June 30, 2008	\$ 66,568	\$ 135,335
Balance Due Within One Year	\$ 66,568	\$ 6,767

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 7,206,031
Less: Balance Due Within One Year	(659,158)
Less: Deferred Amount on Refunding	<u>(231,932)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u><u>\$ 6,314,941</u></u>

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

Hardeman County Solid Waste Disposal Fund (enterprise fund)

The annual requirements to amortize notes outstanding as of June 30, 2008, including interest, are presented in the following table:

Year Ending June 30	Notes		
	Principal	Interest	Total
2009	\$ 304,194	\$ 28,040	\$ 332,234
2010	315,592	16,555	332,147
2011	58,094	4,642	62,736
2012	60,708	2,027	62,735
Total	<u>\$ 738,588</u>	<u>\$ 51,264</u>	<u>\$ 789,852</u>

Changes in Long-term Liabilities

Long-term liability activity for the Solid Waste Disposal Fund (enterprise fund) for the year ended June 30, 2008, was as follows:

Business-type Activities:

	Notes	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2007	\$ 1,031,500	\$ 2,285,972
Additions	0	26,868
Deductions	<u>(292,912)</u>	<u>(13,434)</u>
Balance, June 30, 2008	<u>\$ 738,588</u>	<u>\$ 2,299,406</u>
Balance Due Within One Year	<u><u>\$ 304,194</u></u>	<u><u>\$ 13,434</u></u>

Business-type Activities (Cont.):

	<u>Compensated Absences</u>
Balance, July 1, 2007	\$ 6,358
Additions	9,701
Deductions	<u>(4,494)</u>
Balance, June 30, 2008	<u>\$ 11,565</u>
Balance Due Within One Year	<u>\$ 578</u>

Discretely Presented Hardeman County School Department

Changes in Long-term Liabilities

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

Governmental Activities:

	<u>Capital Leases</u>	<u>Compensated Absences</u>	<u>Other Postemployment Benefits</u>
Balance, July 1, 2007	\$ 0	\$ 94,524	\$ 0
Additions	116,091	75,647	365,168
Deductions	<u>(39,181)</u>	<u>(60,016)</u>	<u>(184,228)</u>
Balance, June 30, 2008	<u>\$ 76,910</u>	<u>\$ 110,155</u>	<u>\$ 180,940</u>
Balance Due Within One Year	<u>\$ 35,497</u>	<u>\$ 41,520</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 368,005
Less: Balance Due Within One Year	<u>(77,017)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 290,988</u>

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

F. On-Behalf Payments – Discretely Presented Hardeman County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Hardeman County School Department. These payments are made by the state to the Local Government 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 Government Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2008, were \$76,958 and \$29,175, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. OTHER INFORMATION

A. Risk Management

Primary Government

Employee Health Insurance

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

Liability, Property, Casualty, and Workers' Compensation Insurance

Hardeman 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. The county 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.

Discretely Presented Hardeman County School Department

Employee Health Insurance

The School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, Tennessee Code Annotated (TCA), all local education agencies are eligible to participate. The LEGIF is included in the

Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. Section 8-27-303, TCA, provides for the LEGIF to be self-sustaining through member premiums.

Liability, Property, Casualty and Workers' Compensation Insurance

The School Department 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. 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.

B. Accounting Changes

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-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 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 (RSI) in the county's financial statements. In previous years, the Hardeman County School Department was only required to recognize 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 revenue will not apply to Hardeman County. GASB Statement No. 48 had no effect on the financial statements of Hardeman 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 Hardeman 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 Hardeman County to provide additional and more detailed pension plan note disclosures than in previous years.

C. Contingent Liabilities

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

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

D. Landfill Closure/Postclosure Care Costs

Hardeman County acquired the City of Bolivar's interest in the Bolivar/Hardeman County Landfill effective July 1, 2004. State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. These closure and postclosure care costs generally are paid near or after the date that the landfill stops accepting waste. Hardeman County has not stopped accepting waste as of the date of this report due to changes in regulations that allow the county to increase its dumping capacity at the existing landfill. The \$2,299,406 reported as accrued liability for landfill postclosure care costs in the Solid Waste Disposal Fund at June 30, 2008, represents the estimated costs for future closure/postclosure care functions. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

E. Joint Venture

The Bolivar/Hardeman County Library is jointly owned by Hardeman County and the City of Bolivar and is operated by an appointed board. The board comprises seven members, four of whom are appointed by the Hardeman County Mayor. The remaining three members are appointed by the Bolivar City Mayor. Hardeman County has control over budgeting and financing the joint venture only to the extent of representation by the four board members appointed. Hardeman County contributed \$78,257 to the operations of the library during the year ended June 30, 2008.

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

Administrative Office:

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

F. Retirement Commitments

Employees

Plan Description

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

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

Funding Policy

Hardeman County has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2008, was 13.04 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Hardeman County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2008, Hardeman County's annual pension cost of \$1,054,259 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. Hardeman County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was ten years. An actuarial valuation was performed as of July 1, 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	\$1,054,259	100%	\$0
6-30-07	984,508	100	0
6-30-06	787,006	100	0

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 94.03 percent funded. The actuarial accrued liability for benefits was \$18.47 million, and the actuarial value of assets was \$17.37 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.10 million. The covered payroll (annual payroll of active employees covered by the plan) was

\$7.61 million, and the ratio of the UAAL to the covered payroll was 14.49 percent.

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor,

Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.treasury.state.tn.us>.

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Hardeman County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2008, was 6.24 percent of annual covered payroll. The employer contribution requirement for the Hardeman County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2008, 2007, and 2006, were \$1,077,896, \$1,009,577, and \$861,502, respectively, equal to the required contributions for each year.

G. Other Postemployment Benefits (OPEB)

Plan Description

The Hardeman County School Department participates in the state-administered Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-302, Tennessee Code Annotated for teachers. Prior to reaching 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 plan is 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. During the year ended June 30, 2008, the discretely presented Hardeman County School Department contributed \$184,228, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<hr/>
ARC	\$ 365,168
Interest on the NPO	0
Adjustment to the ARC	0
Annual OPEB cost	<hr/> \$ 365,168
Less: Amount of contribution	(184,228)
Increase/decrease in NPO	<hr/> \$ 180,940
Net OPEB obligation, 7-1-07	<hr/> 0
Net OPEB obligation, 6-30-08	<hr/> <hr/> \$ 180,940

Year End	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
<hr/>				
6-30-08	Local Education Group	\$ 365,168	50%	\$ 180,940

* Data Not Available for two preceding years.

Funded Status and Funding Progress

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

	Local Education Group Plan
	<hr/>
Actuarial valuation date	6-30-07
Actuarial accrued liability (AAL)	\$ 3,579,958
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 3,579,958
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 15,395,044
UAAL as a % of covered payroll	16%

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 RSI 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. The rate includes 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.

H. Purchasing Laws

Offices of County Mayor, Highway Superintendent, and Director of Schools

Purchasing procedures for all departments, agencies, and offices of Hardeman County are established by Chapter 90, Private Acts of 1989, as amended. Purchasing procedures for the Highway Department are also governed by provisions of the Uniform Road Law, Section 54-7-113, Tennessee Code Annotated (TCA). Purchasing procedures for the School Department are also governed by provisions of purchasing laws applicable to schools as set forth in Section 49-2-203, TCA. Chapter 90, Private Acts of 1989, as amended, designates the county mayor as county purchasing agent and authorizes the mayor to make purchases for all agencies, offices, and departments of the county, except for purchases that cost less than \$10,000, which may be made directly by the highway superintendent and director of schools. These statutes also require the issuance of purchase orders and the solicitation of bids through newspaper advertisements for all purchases exceeding \$5,000 for the Office of County Mayor and \$10,000 for the Highway Department and School Department.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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Exhibit F-1

Hardeman County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 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	\$ 4,116,589	\$ 0	\$ 4,116,589	\$ 3,718,700	\$ 3,718,700	\$ 397,889
Licenses and Permits	19,802	0	19,802	26,700	26,700	(6,898)
Fines, Forfeitures, and Penalties	152,560	0	152,560	168,900	178,900	(26,340)
Charges for Current Services	1,397,056	0	1,397,056	1,301,200	1,301,200	95,856
Other Local Revenues	540,890	0	540,890	397,200	397,200	143,690
Fees Received from County Officials	747,052	0	747,052	1,236,359	732,244	14,808
State of Tennessee	1,336,915	0	1,336,915	4,661,000	1,676,789	(339,874)
Federal Government	139,297	0	139,297	17,000	47,876	91,421
Other Governments and Citizens Groups	23,491	0	23,491	18,697	18,697	4,794
Total Revenues	\$ 8,473,652	\$ 0	\$ 8,473,652	\$ 11,545,756	\$ 8,098,306	\$ 375,346
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	\$ 13,931	\$ 0	\$ 13,931	\$ 15,600	\$ 15,600	\$ 1,669
Board of Equalization	1,190	0	1,190	1,200	1,200	10
Beer Board	1,890	0	1,890	2,000	2,000	110
Budget and Finance Committee	2,380	0	2,380	2,500	2,500	120
Other Boards and Committees	6,650	0	6,650	7,500	7,500	850
County Mayor/Executive	154,118	0	154,118	157,607	156,950	2,832
County Attorney	10,412	0	10,412	12,412	12,412	2,000
Election Commission	148,999	(4,500)	144,499	162,228	164,001	19,502
Register of Deeds	24,168	0	24,168	149,047	40,568	16,400
Development	59,362	0	59,362	64,418	64,418	5,056
County Buildings	146,461	0	146,461	170,220	188,295	41,834
Other General Administration	17,916	0	17,916	28,000	28,000	10,084
<u>Finance</u>						
Accounting and Budgeting	12,853	0	12,853	16,200	16,200	3,347

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	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>Finance (Cont.)</u>						
Purchasing	\$ 3,600	\$ 0	\$ 3,600	\$ 3,600	\$ 3,600	0
Property Assessor's Office	185,599	0	185,599	197,962	197,962	12,363
Reappraisal Program	28,806	0	28,806	37,325	37,352	8,546
County Trustee's Office	23,797	0	23,797	158,932	42,108	18,311
County Clerk's Office	20,389	0	20,389	191,645	28,497	8,108
<u>Administration of Justice</u>						
Circuit Court	247,012	0	247,012	270,044	270,044	23,032
General Sessions Court	103,829	0	103,829	102,459	103,659	(170)
Drug Court	9,567	0	9,567	0	10,000	433
Chancery Court	20,469	0	20,469	153,051	38,202	17,733
Juvenile Court	39,852	0	39,852	43,080	43,080	3,228
<u>Public Safety</u>						
Sheriff's Department	1,131,994	0	1,131,994	1,238,471	1,238,471	106,477
Workhouse	541,521	0	541,521	564,000	587,000	45,479
Juvenile Services	31,872	0	31,872	32,470	32,470	598
Fire Prevention and Control	74,500	0	74,500	118,000	118,000	43,500
Civil Defense	50,660	0	50,660	49,546	51,524	864
County Coroner/Medical Examiner	26,800	0	26,800	20,000	26,000	(800)
<u>Public Health and Welfare</u>						
Local Health Center	77,899	0	77,899	83,783	83,783	5,884
Rabies and Animal Control	46,768	0	46,768	38,988	50,249	3,481
Ambulance/Emergency Medical Services	1,362,540	0	1,362,540	1,399,040	1,399,537	36,997
Dental Health Program	233,056	0	233,056	445,400	446,800	213,744
Alcohol and Drug Programs	20,638	0	20,638	5,000	20,789	151
Crippled Children Services	1,779	0	1,779	1,779	1,779	0
Other Local Health Services	3,000	0	3,000	2,000	3,000	0

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	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>Public Health and Welfare (Cont.)</u>						
Regional Mental Health Center	\$ 10,000	\$ 0	\$ 10,000	\$ 10,000	\$ 10,000	\$ 0
Other Local Welfare Services	0	0	0	5,200	5,200	5,200
Sanitation Education/Information	27,944	0	27,944	31,645	31,645	3,701
Waste Pickup	228,036	0	228,036	228,000	232,000	3,964
Convenience Centers	229,358	0	229,358	221,985	257,985	28,627
Landfill Operation and Maintenance	250	0	250	0	0	(250)
<u>Social, Cultural, and Recreational Services</u>						
Libraries	85,407	0	85,407	87,150	87,150	1,743
Other Social, Cultural, and Recreational	2,500	0	2,500	2,500	2,500	0
<u>Agriculture and Natural Resources</u>						
Agriculture Extension Service	97,087	0	97,087	97,920	97,920	833
Forest Service	2,000	0	2,000	2,000	2,000	0
Soil Conservation	24,087	0	24,087	25,257	25,257	1,170
<u>Other Operations</u>						
Industrial Development	56,939	0	56,939	65,525	65,525	8,586
Housing and Urban Development	14,731	0	14,731	0	30,876	16,145
Airport	460,592	0	460,592	3,462,000	481,800	21,208
Veterans' Services	7,765	0	7,765	7,768	7,768	3
Contributions to Other Agencies	42,617	0	42,617	20,000	45,000	2,383
Employee Benefits	1,352,013	0	1,352,013	1,363,980	1,363,980	11,967
Miscellaneous	338,883	0	338,883	312,250	351,291	12,408
Total Expenditures	\$ 7,866,486	\$ (4,500)	\$ 7,861,986	\$ 11,888,687	\$ 8,631,447	\$ 769,461
<u>Excess (Deficiency) of Revenues</u>						
Over Expenditures	\$ 607,166	\$ 4,500	\$ 611,666	\$ (342,931)	\$ (533,141)	\$ 1,144,807

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 2,789	\$ 0	\$ 2,789	\$ 0	\$ 0	\$ 2,789
Transfers Out	(26,187)	0	(26,187)	(26,187)	(33,611)	7,424
Total Other Financing Sources (Uses)	\$ (23,398)	\$ 0	\$ (23,398)	\$ (26,187)	\$ (33,611)	\$ 10,213
Net Change in Fund Balance	\$ 583,768	\$ 4,500	\$ 588,268	\$ (369,118)	\$ (566,752)	\$ 1,155,020
Fund Balance, July 1, 2007	1,931,536	(4,500)	1,927,036	1,294,739	1,294,739	632,297
Fund Balance, June 30, 2008	\$ 2,515,304	\$ 0	\$ 2,515,304	\$ 925,621	\$ 727,987	\$ 1,787,317

Exhibit F-2

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 776,438	\$ 825,000	\$ 825,000	\$ (48,562)
Charges for Current Services	0	100	100	(100)
Other Local Revenues	1,706	14,500	14,500	(12,794)
State of Tennessee	2,485,419	2,341,699	2,341,699	143,720
Total Revenues	<u>\$ 3,263,563</u>	<u>\$ 3,181,299</u>	<u>\$ 3,181,299</u>	<u>\$ 82,264</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 188,233	\$ 203,300	\$ 203,299	\$ 15,066
Highway and Bridge Maintenance	1,581,511	1,682,069	1,692,069	110,558
Operation and Maintenance of Equipment	481,323	521,336	521,336	40,013
Other Charges	75,454	105,100	105,100	29,646
Employee Benefits	393,243	469,650	469,650	76,407
Capital Outlay	1,316,428	664,674	1,347,445	31,017
Total Expenditures	<u>\$ 4,036,192</u>	<u>\$ 3,646,129</u>	<u>\$ 4,338,899</u>	<u>\$ 302,707</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (772,629)</u>	<u>\$ (464,830)</u>	<u>\$ (1,157,600)</u>	<u>\$ 384,971</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 300,000	\$ 0	\$ 300,000	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 300,000</u>	<u>\$ 0</u>	<u>\$ 300,000</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (472,629)	\$ (464,830)	\$ (857,600)	\$ 384,971
Fund Balance, July 1, 2007	1,478,912	663,914	663,914	814,998
Fund Balance, June 30, 2008	<u>\$ 1,006,283</u>	<u>\$ 199,084</u>	<u>\$ (193,686)</u>	<u>\$ 1,199,969</u>

Exhibit F-3

Hardeman 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	\$ 17,373	\$ 18,477	\$ 1,104	94.03 %	\$ 7,617	14.49 %

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

Hardeman County, Tennessee
Schedule of Funding Progress - Other Postemployment Benefits Plan
Discretely Presented Hardeman County School Department
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)
<u>Local Education Group Plan</u>						
6-30-07	\$ 0	\$ 3,579	\$ 3,579	0%	\$ 15,395	23%

*Data not available for two preceding years.

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

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

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

B. APPROPRIATIONS EXCEEDED ESTIMATED AVAILABLE FUNDS

The budget and subsequent amendments submitted to and approved by the County Commission for the Highway/Public Works Fund resulted in appropriations exceeding estimated available funding causing a budgeted fund deficit of \$193,686.

C. EXPENDITURES EXCEEDED APPROPRIATIONS

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

<u>Major Category</u>	<u>Amount Overspent</u>
General Sessions Court	\$ 170
County Coroner/Medical Examiner	800
Landfill Operation and Maintenance	250

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

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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.

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

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

Capital Projects Funds

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

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

Other Capital Projects Fund – The Other Capital Projects Fund is used to account for transactions of the airport expansion project.

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Exhibit G-1

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

	Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds
	Drug Control	Constitu- tional Officers - Fees	Total	Community Development/ Industrial Park	Other Capital Projects	Total	
Cash	\$ 0	\$ 125,774	\$ 125,774	\$ 0	\$ 0	\$ 0	\$ 125,774
Equity in Pooled Cash and Investments	89,574	0	89,574	693	375,881	376,574	466,148
Accounts Receivable	13,855	264	14,119	0	0	0	14,119
Total Assets	\$ 103,429	\$ 126,038	\$ 229,467	\$ 693	\$ 375,881	\$ 376,574	\$ 606,041
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Due to Other Funds	\$ 0	\$ 32	\$ 32	\$ 0	\$ 0	\$ 0	\$ 32
Total Liabilities	\$ 0	\$ 32	\$ 32	\$ 0	\$ 0	\$ 0	\$ 32
<u>Fund Balances</u>							
Unreserved	\$ 103,429	\$ 126,006	\$ 229,435	\$ 693	\$ 375,881	\$ 376,574	\$ 606,009
Total Fund Balances	\$ 103,429	\$ 126,006	\$ 229,435	\$ 693	\$ 375,881	\$ 376,574	\$ 606,009
Total Liabilities and Fund Balances	\$ 103,429	\$ 126,038	\$ 229,467	\$ 693	\$ 375,881	\$ 376,574	\$ 606,041

ASSETS

LIABILITIES AND FUND BALANCES

Liabilities

Due to Other Funds
Total Liabilities

Fund Balances

Unreserved
Total Fund Balances

Total Liabilities and Fund Balances

Exhibit G-2

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

	Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds
	Drug Control	Constitu- tional Officers - Fees	Total	Community Development/ Industrial Park	Other Capital Projects	Total	
<u>Revenues</u>							
Fines, Forfeitures, and Penalties	\$ 54,249	\$ 0	\$ 54,249	\$ 0	\$ 0	\$ 0	\$ 54,249
Charges for Current Services	0	512,553	512,553	0	0	0	512,553
Other Local Revenues	0	0	0	0	3,305	3,305	3,305
Total Revenues	\$ 54,249	\$ 512,553	\$ 566,802	\$ 0	\$ 3,305	\$ 3,305	\$ 570,107
<u>Expenditures</u>							
Current:							
General Government	\$ 0	\$ 111,757	\$ 111,757	\$ 0	\$ 0	\$ 0	\$ 111,757
Finance	0	286,438	286,438	0	0	0	286,438
Administration of Justice	0	117,277	117,277	0	0	0	117,277
Public Safety	46,875	0	46,875	0	0	0	46,875
Capital Projects	0	0	0	0	10,000	10,000	10,000
Total Expenditures	\$ 46,875	\$ 515,472	\$ 562,347	\$ 0	\$ 10,000	\$ 10,000	\$ 572,347
Excess (Deficiency) of Revenues Over Expenditures	\$ 7,374	\$ (2,919)	\$ 4,455	\$ 0	\$ (6,695)	\$ (6,695)	\$ (2,240)
<u>Other Financing Sources (Uses)</u>							
Bonds Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 390,000	\$ 390,000	\$ 390,000
Transfers Out	0	0	0	0	(7,424)	(7,424)	(7,424)
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 382,576	\$ 382,576	\$ 382,576
Net Change in Fund Balances Fund Balance, July 1, 2007	\$ 7,374	\$ (2,919)	\$ 4,455	\$ 0	\$ 375,881	\$ 375,881	\$ 380,336
Fund Balance, July 1, 2007	96,055	128,925	224,980	693	0	693	225,673
Fund Balance, June 30, 2008	\$ 103,429	\$ 126,006	\$ 229,435	\$ 693	\$ 375,881	\$ 376,574	\$ 606,009

Exhibit G-3

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 54,249	\$ 27,500	\$ 27,500	\$ 26,749
Other Local Revenues	0	1,500	1,500	(1,500)
Total Revenues	<u>\$ 54,249</u>	<u>\$ 29,000</u>	<u>\$ 29,000</u>	<u>\$ 25,249</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 46,875	\$ 66,400	\$ 66,400	\$ 19,525
Total Expenditures	<u>\$ 46,875</u>	<u>\$ 66,400</u>	<u>\$ 66,400</u>	<u>\$ 19,525</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 7,374</u>	<u>\$ (37,400)</u>	<u>\$ (37,400)</u>	<u>\$ 44,774</u>
Net Change in Fund Balance	\$ 7,374	\$ (37,400)	\$ (37,400)	\$ 44,774
Fund Balance, July 1, 2007	<u>96,055</u>	<u>50,922</u>	<u>50,922</u>	<u>45,133</u>
Fund Balance, June 30, 2008	<u>\$ 103,429</u>	<u>\$ 13,522</u>	<u>\$ 13,522</u>	<u>\$ 89,907</u>

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Major Governmental Fund

General Debt Service Fund

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

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Exhibit H

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 34,518	\$ 41,100	\$ 41,100	\$ (6,582)
Other Governments and Citizens Groups	733,875	0	733,875	0
Total Revenues	\$ 768,393	\$ 41,100	\$ 774,975	\$ (6,582)
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 30,992	\$ 30,992	\$ 30,992	\$ 0
Education	470,646	470,646	470,646	0
<u>Interest on Debt</u>				
General Government	14,068	6,844	14,268	200
Education	262,344	265,659	265,659	3,315
<u>Other Debt Service</u>				
General Government	678	2,500	2,500	1,822
Education	887	5,500	5,500	4,613
Total Expenditures	\$ 779,615	\$ 782,141	\$ 789,565	\$ 9,950
Excess (Deficiency) of Revenues Over Expenditures	\$ (11,222)	\$ (741,041)	\$ (14,590)	\$ 3,368
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 33,611	\$ 763,492	\$ 29,617	\$ 3,994
Total Other Financing Sources (Uses)	\$ 33,611	\$ 763,492	\$ 29,617	\$ 3,994
Net Change in Fund Balance	\$ 22,389	\$ 22,451	\$ 15,027	\$ 7,362
Fund Balance, July 1, 2007	981,266	0	0	981,266
Fund Balance, June 30, 2008	\$ 1,003,655	\$ 22,451	\$ 15,027	\$ 988,628

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Fiduciary Funds

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

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

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

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Exhibit I-1

Hardeman 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	\$ 619,149	\$ 619,149
Due from Other Governments	214,494	0	214,494
Total Assets	<u>\$ 214,494</u>	<u>619,149</u>	<u>\$ 833,643</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 214,494	\$ 0	\$ 214,494
Due to Litigants, Heirs, and Others	0	619,149	619,149
Total Liabilities	<u>\$ 214,494</u>	<u>\$ 619,149</u>	<u>\$ 833,643</u>

Exhibit I-2

Hardeman County, Tennessee
Combining Statement of Changes in Assets and Liabilities - 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	\$ 1,287,887	\$ 1,287,887	\$ 0
Due from Other Governments	204,416	214,494	204,416	214,494
Total Assets	\$ 204,416	\$ 1,502,381	\$ 1,492,303	\$ 214,494
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 204,416	\$ 1,502,381	\$ 1,492,303	\$ 214,494
Total Liabilities	\$ 204,416	\$ 1,502,381	\$ 1,492,303	\$ 214,494
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 674,247	\$ 6,534,391	\$ 6,589,489	\$ 619,149
Total Assets	\$ 674,247	\$ 6,534,391	\$ 6,589,489	\$ 619,149
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 674,247	\$ 6,534,391	\$ 6,589,489	\$ 619,149
Total Liabilities	\$ 674,247	\$ 6,534,391	\$ 6,589,489	\$ 619,149
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,287,887	\$ 1,287,887	\$ 0
Cash	674,247	6,534,391	6,589,489	619,149
Due from Other Governments	204,416	214,494	204,416	214,494
Total Assets	\$ 878,663	\$ 8,036,772	\$ 8,081,792	\$ 833,643
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 204,416	\$ 1,502,381	\$ 1,492,303	\$ 214,494
Due to Litigants, Heirs, and Others	674,247	6,534,391	6,589,489	619,149
Total Liabilities	\$ 878,663	\$ 8,036,772	\$ 8,081,792	\$ 833,643

Hardeman County School Department

This section presents combining and individual fund financial statements for the Hardeman County School Department, a discretely presented component unit. The School Department uses a General Fund, 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 Unemployment Compensation Fund is used to account for unemployment compensation for former School Department employees. This fund was closed during the year.

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Exhibit J-1

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

Functions/Programs	Program Revenues			Expenses	Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Total Governmental Activities	
Governmental Activities:						
Instruction	\$ 20,903,748	\$ 6,750	\$ 2,449,245	\$ 198,816	\$ (18,248,937)	
Support Services	10,756,406	157,145	106,137	0	(10,493,124)	
Operation of Non-Instructional Services	3,515,298	505,047	1,938,457	0	(1,071,794)	
Other Debt Service	733,875	0	0	0	(733,875)	
Total Governmental Activities	\$ 35,909,327	\$ 668,942	\$ 4,493,839	\$ 198,816	\$ (30,547,730)	
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes					\$ 4,714,749	
Local Option Sales Tax					2,503,870	
Other Local Taxes					3,621	
Grants and Contributions Not Restricted for Specific Programs					22,603,007	
Unrestricted Investment Income					9,338	
Miscellaneous					835,034	
Insurance Recovery					500	
Total General Revenues					\$ 30,670,119	
Change in Net Assets					\$ 122,389	
Net Assets, July 1, 2007					20,352,859	
Prior-period Adjustment					897,353	
Net Assets, June 30, 2008					\$ 21,372,601	

Exhibit J-2

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

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 22,303	\$ 22,303
Equity in Pooled Cash and Investments	4,176,535	552,624	4,729,159
Accounts Receivable	21,051	50	21,101
Due from Other Governments	597,232	246,991	844,223
Due from Other Funds	227,380	0	227,380
Property Taxes Receivable	5,064,754	0	5,064,754
Allowance for Uncollectible Property Taxes	(184,232)	0	(184,232)
Total Assets	<u>\$ 9,902,720</u>	<u>\$ 821,968</u>	<u>\$ 10,724,688</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 2,372	\$ 0	\$ 2,372
Payroll Deductions Payable	591,197	0	591,197
Deferred Revenue - Current Property Taxes	4,686,468	0	4,686,468
Deferred Revenue - Delinquent Property Taxes	174,769	0	174,769
Other Deferred Revenues	210,000	92,777	302,777
Total Liabilities	<u>\$ 5,664,806</u>	<u>\$ 92,777</u>	<u>\$ 5,757,583</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 55,158	\$ 0	\$ 55,158
Reserved for Driver Education	42,808	0	42,808
Reserved for Career Ladder - Extended Contract	8,018	0	8,018
Reserved for Career Ladder Program	3,420	0	3,420
Reserved for Title I Grants to Local Education Agencies	0	37,865	37,865
Reserved for Innovative Education Program Strategies	0	35,440	35,440
Reserved for Special Education - Grants to States	0	121,833	121,833
Other Federal Reserves	0	561	561
Unreserved, Reported In:			
General Fund	4,128,510	0	4,128,510
Special Revenue Funds	0	533,492	533,492
Total Fund Balances	<u>\$ 4,237,914</u>	<u>\$ 729,191</u>	<u>\$ 4,967,105</u>
Total Liabilities and Fund Balances	<u>\$ 9,902,720</u>	<u>\$ 821,968</u>	<u>\$ 10,724,688</u>

Exhibit J-3

Hardeman County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
Discretely Presented Hardeman County School Department
June 30, 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)		\$	4,967,105
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	358,501	
Add: buildings and improvements net of accumulated depreciation		13,855,724	
Add: other capital assets net of accumulated depreciation		<u>2,081,730</u>	16,295,955
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: leases payable	\$	(76,910)	
Less: compensated absences payable		(110,155)	
Less: other postemployment benefits		<u>(180,940)</u>	(368,005)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>477,546</u>
Net assets of governmental activities (Exhibit A)		\$	<u>21,372,601</u>

Exhibit J-4

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

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 7,249,389	\$ 1,725	\$ 7,251,114
Licenses and Permits	3,164	0	3,164
Charges for Current Services	110,041	529,575	639,616
Other Local Revenues	107,607	738,618	846,225
State of Tennessee	22,395,775	0	22,395,775
Federal Government	693,760	4,374,835	5,068,595
Total Revenues	<u>\$ 30,559,736</u>	<u>\$ 5,644,753</u>	<u>\$ 36,204,489</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 17,731,945	\$ 2,081,618	\$ 19,813,563
Support Services	10,498,892	502,568	11,001,460
Operation of Non-Instructional Services	1,060,401	2,376,775	3,437,176
Capital Outlay	231,035	0	231,035
Debt Service:			
Principal on Debt	39,181	0	39,181
Other Debt Service	733,875	0	733,875
Total Expenditures	<u>\$ 30,295,329</u>	<u>\$ 4,960,961</u>	<u>\$ 35,256,290</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 264,407</u>	<u>\$ 683,792</u>	<u>\$ 948,199</u>
<u>Other Financing Sources (Uses)</u>			
Capital Leases Issued	\$ 116,091	\$ 0	\$ 116,091
Insurance Recovery	16,285	0	16,285
Transfers In	155,977	0	155,977
Transfers Out	0	(155,179)	(155,179)
Total Other Financing Sources (Uses)	<u>\$ 288,353</u>	<u>\$ (155,179)</u>	<u>\$ 133,174</u>
Net Change in Fund Balances	\$ 552,760	\$ 528,613	\$ 1,081,373
Fund Balance, July 1, 2007	3,685,154	200,578	3,885,732
Fund Balance, June 30, 2008	<u>\$ 4,237,914</u>	<u>\$ 729,191</u>	<u>\$ 4,967,105</u>

Exhibit J-5

Hardeman County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Hardeman County School Department
For the Year Ended June 30, 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)		\$ 1,081,373
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 857,089	
Less: current year depreciation expense	<u>(1,199,927)</u>	(342,838)
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2008	\$ 477,546	
Less: deferred delinquent property taxes and other deferred June 30, 2007	<u>(816,193)</u>	(338,647)
<p>(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statements of activities. This amount is the effect of these differences in the treatment of long-term debt and related items.</p>		
Less: capital lease proceeds	\$ (116,091)	
Add: principal payments on capital leases	<u>39,181</u>	(76,910)
<p>(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Change in compensated absences payable	\$ (15,631)	
Change in other postemployment benefits	<u>(180,940)</u>	(196,571)
<p>(5) Internal service funds are used by management to charge the cost of former employee unemployment compensation benefits to individual funds. The net revenue/(expense) of certain activities of the internal service fund is reported with governmental activities in the statement of activities.</p>		
		<u>(4,018)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 122,389</u>

Exhibit J-6

Hardeman County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Hardeman County School Department
June 30, 2008

	Special Revenue Funds		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 22,303	\$ 22,303
Equity in Pooled Cash and Investments	170,532	382,092	552,624
Accounts Receivable	0	50	50
Due from Other Governments	117,944	129,047	246,991
Total Assets	<u>\$ 288,476</u>	<u>\$ 533,492</u>	<u>\$ 821,968</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Other Deferred Revenues	\$ 92,777	\$ 0	\$ 92,777
Total Liabilities	<u>\$ 92,777</u>	<u>\$ 0</u>	<u>\$ 92,777</u>
<u>Fund Balances</u>			
Reserved for Title I Grants to Local Education Agencies	\$ 37,865	\$ 0	\$ 37,865
Reserved for Innovative Education Program Strategies	35,440	0	35,440
Reserved for Special Education - Grants to States	121,833	0	121,833
Other Federal Reserves	561	0	561
Unreserved	0	533,492	533,492
Total Fund Balances	<u>\$ 195,699</u>	<u>\$ 533,492</u>	<u>\$ 729,191</u>
Total Liabilities and Fund Balances	<u>\$ 288,476</u>	<u>\$ 533,492</u>	<u>\$ 821,968</u>

Exhibit J-7

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

	<u>Special Revenue Funds</u>		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 0	\$ 1,725	\$ 1,725
Charges for Current Services	0	529,575	529,575
Other Local Revenues	0	738,618	738,618
Federal Government	2,734,486	1,640,349	4,374,835
Total Revenues	<u>\$ 2,734,486</u>	<u>\$ 2,910,267</u>	<u>\$ 5,644,753</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 2,081,618	\$ 0	\$ 2,081,618
Support Services	502,568	0	502,568
Operation of Non-Instructional Services	0	2,376,775	2,376,775
Total Expenditures	<u>\$ 2,584,186</u>	<u>\$ 2,376,775</u>	<u>\$ 4,960,961</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 150,300</u>	<u>\$ 533,492</u>	<u>\$ 683,792</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (155,179)	\$ 0	\$ (155,179)
Total Other Financing Sources (Uses)	<u>\$ (155,179)</u>	<u>\$ 0</u>	<u>\$ (155,179)</u>
Net Change in Fund Balances	\$ (4,879)	\$ 533,492	\$ 528,613
Fund Balance, July 1, 2007	200,578	0	200,578
Fund Balance, June 30, 2008	<u>\$ 195,699</u>	<u>\$ 533,492</u>	<u>\$ 729,191</u>

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

	Actual (GAAP Basis)	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	\$ 7,249,389	\$ 0	\$ 7,249,389	\$ 6,926,791	\$ 6,926,791	\$ 322,598
Licenses and Permits	3,164	0	3,164	3,500	3,500	(336)
Charges for Current Services	110,041	0	110,041	39,600	39,600	70,441
Other Local Revenues	107,607	0	107,607	54,500	54,500	53,107
State of Tennessee	22,395,775	0	22,395,775	21,940,691	22,046,824	348,951
Federal Government	693,760	0	693,760	640,732	640,732	53,028
Total Revenues	<u>\$ 30,559,736</u>	<u>\$ 0</u>	<u>\$ 30,559,736</u>	<u>\$ 29,605,814</u>	<u>\$ 29,711,947</u>	<u>\$ 847,789</u>
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 14,005,120	2,381	\$ 14,007,501	\$ 14,136,411	\$ 14,008,457	\$ 956
Alternative Instruction Program	137,639	45,015	182,654	164,721	192,760	10,106
Special Education Program	2,445,576	372	2,445,948	2,522,709	2,446,818	870
Vocational Education Program	1,143,610	0	1,143,610	1,078,486	1,144,686	1,076
<u>Support Services</u>						
Attendance	145,594	0	145,594	135,298	146,606	1,012
Health Services	173,664	0	173,664	157,059	173,716	52
Other Student Support	943,554	3,390	946,944	905,243	950,710	3,766
Regular Instruction Program	1,576,850	0	1,576,850	1,550,806	1,656,708	79,858
Alternative Instruction Program	18,693	0	18,693	22,138	18,758	65
Special Education Program	574,537	0	574,537	550,980	575,814	1,277
Vocational Education Program	91,390	0	91,390	85,173	91,408	18
Other Programs	106,133	0	106,133	0	106,133	0
Board of Education	415,074	1,158	416,232	436,120	430,640	14,408
Director of Schools	234,409	0	234,409	232,977	235,982	1,573
Office of the Principal	1,566,270	0	1,566,270	1,525,069	1,566,274	4

(Continued)

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Support Services (Cont.)</u>						
Fiscal Services	\$ 180,293	\$ 0	\$ 180,293	\$ 173,520	\$ 182,411	\$ 2,118
Human Services/Personnel	124,765	0	124,765	125,120	125,120	355
Operation of Plant	1,742,668	0	1,742,668	1,725,566	1,743,143	475
Maintenance of Plant	591,690	842	592,532	682,228	592,339	(193)
Transportation	1,862,417	2,000	1,864,417	1,687,996	1,865,348	931
Central and Other	150,891	0	150,891	172,474	151,052	161
<u>Operation of Non-Instructional Services</u>						
Food Service	1,139	0	1,139	0	8,715	7,576
Community Services	110,545	0	110,545	53,492	110,571	26
Early Childhood Education	948,717	0	948,717	957,595	949,313	596
<u>Capital Outlay</u>						
Regular Capital Outlay	231,035	0	231,035	100,000	251,260	20,225
<u>Principal on Debt</u>						
Education	39,181	0	39,181	470,646	39,182	1
<u>Interest on Debt</u>						
Education	0	0	0	262,344	0	0
<u>Other Debt Service</u>						
Education	733,875	0	733,875	0	733,876	1
<u>Total Expenditures</u>	<u>\$ 30,295,329</u>	<u>\$ 55,158</u>	<u>\$ 30,350,487</u>	<u>\$ 29,914,171</u>	<u>\$ 30,497,800</u>	<u>\$ 147,313</u>
<u>Excess (Deficiency) of Revenues</u>						
<u>Over Expenditures</u>	\$ 264,407	(\$ 55,158)	\$ 209,249	(\$ 308,357)	(\$ 785,853)	\$ 995,102
<u>Other Financing Sources (Uses)</u>						
<u>Capital Leases Issued</u>	\$ 116,091	\$ 0	\$ 116,091	\$ 0	\$ 0	\$ 116,091

(Continued)

Exhibit J-8

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Other Financing Sources (Uses) (Cont.)</u>						
Insurance Recovery	\$ 16,285	\$ 0	\$ 16,285	\$ 0	\$ 0	\$ 16,285
Transfers In	155,977	0	155,977	10,000	10,000	145,977
Total Other Financing Sources (Uses)	\$ 288,353	\$ 0	\$ 288,353	\$ 10,000	\$ 10,000	\$ 278,353
Net Change in Fund Balance	\$ 552,760	\$ (55,158)	\$ 497,602	\$ (298,357)	\$ (775,853)	\$ 1,273,455
Fund Balance, July 1, 2007	3,685,154	0	3,685,154	4,049,415	4,049,415	(364,261)
Fund Balance, June 30, 2008	\$ 4,237,914	\$ (55,158)	\$ 4,182,756	\$ 3,751,058	\$ 3,273,562	\$ 909,194

Exhibit J-9

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 2,734,486	\$ 2,615,788	\$ 2,769,263	\$ (34,777)
Total Revenues	\$ 2,734,486	\$ 2,615,788	\$ 2,769,263	\$ (34,777)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,294,653	\$ 1,383,540	\$ 1,384,980	\$ 90,327
Special Education Program	641,406	709,397	709,397	67,991
Vocational Education Program	145,559	144,933	145,559	0
<u>Support Services</u>				
Other Student Support	102,567	97,897	102,833	266
Regular Instruction Program	214,702	290,375	289,988	75,286
Special Education Program	180,826	229,841	229,841	49,015
Vocational Education Program	4,473	3,888	4,473	0
Total Expenditures	\$ 2,584,186	\$ 2,859,871	\$ 2,867,071	\$ 282,885
Excess (Deficiency) of Revenues Over Expenditures	\$ 150,300	\$ (244,083)	\$ (97,808)	\$ 248,108
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 58,000	\$ 58,000	\$ (58,000)
Transfers Out	(155,179)	(68,631)	(214,906)	59,727
Total Other Financing Sources (Uses)	\$ (155,179)	\$ (10,631)	\$ (156,906)	\$ 1,727
Net Change in Fund Balance	\$ (4,879)	\$ (254,714)	\$ (254,714)	\$ 249,835
Fund Balance, July 1, 2007	200,578	254,714	254,714	(54,136)
Fund Balance, June 30, 2008	\$ 195,699	\$ 0	\$ 0	\$ 195,699

Exhibit J-10

Hardeman County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Hardeman 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>				
Local Taxes	\$ 1,725	\$ 0	\$ 0	\$ 1,725
Charges for Current Services	529,575	550,258	712,604	(183,029)
Other Local Revenues	738,618	734,288	734,288	4,330
Federal Government	1,640,349	1,583,311	1,583,311	57,038
Total Revenues	<u>\$ 2,910,267</u>	<u>\$ 2,867,857</u>	<u>\$ 3,030,203</u>	<u>\$ (119,936)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 2,376,775	\$ 2,214,442	\$ 2,376,788	\$ 13
Total Expenditures	<u>\$ 2,376,775</u>	<u>\$ 2,214,442</u>	<u>\$ 2,376,788</u>	<u>\$ 13</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 533,492	\$ 653,415	\$ 653,415	\$ (119,923)
Net Change in Fund Balance	\$ 533,492	\$ 653,415	\$ 653,415	\$ (119,923)
Fund Balance, July 1, 2007	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30, 2008	<u>\$ 533,492</u>	<u>\$ 653,415</u>	<u>\$ 653,415</u>	<u>\$ (119,923)</u>

Exhibit J-11

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

	Governmental Activities - Internal Service Fund
	<u>Unemployment Compensation Fund</u>
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
Self-Insurance Premiums/Contributions	\$ 0
Total Operating Revenues	<u>\$ 0</u>
<u>Operating Expenses</u>	
<u>Board of Education</u>	
Other Charges	\$ 12,558
Total Operating Expenses	<u>\$ 12,558</u>
Operating Income (Loss)	<u>\$ (12,558)</u>
<u>Nonoperating Revenues</u>	
Investment Income	\$ 9,338
Total Nonoperating Revenues	<u>\$ 9,338</u>
Transfers In (Out)	<u>\$ (798)</u>
Change in Net Assets	\$ (4,018)
Net Assets, July 1, 2007	<u>4,018</u>
Net Assets, June 30, 2008	<u><u>\$ 0</u></u>

Exhibit J-12

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

	Governmental Activities - Internal Service Fund
	<u>Unemployment Compensation Fund</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from Individual Schools	\$ 0
Other Charges	(12,558)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (12,558)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfers to Other Funds	<u>\$ (798)</u>
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ (798)</u>
<u>Cash Flows from Investing Activities</u>	
Interest on Investments	<u>\$ 9,338</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 9,338</u>
Increase (Decrease) in Cash	\$ (4,018)
Cash, July 1, 2007	<u> 4,018</u>
Cash, June 30, 2008	<u><u> 0</u></u>

MISCELLANEOUS SCHEDULES

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Exhibit K-1

Hardeman County, Tennessee
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds
Primary Government and Discretely Presented Hardeman County School Department
For the Year Ended June 30, 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>								
Energy Efficiency Loan	\$ 500,000	3 %	6-5-01	7-15-08	\$ 153,562	0 \$	75,646 \$	77,916
Convenience Centers	50,000	4.35	5-19-04	5-18-16	39,785	0	3,706	36,079
Convenience Centers - Trash Compactors	95,000	3.27	10-6-04	10-6-09	49,420	0	19,287	30,133
Airport Hangers	390,000	4.45	12-27-07	6-1-20	0	390,000	0	390,000
Total Payable through General Debt Service Fund					\$ 242,767	\$ 390,000	\$ 98,639	\$ 534,128
<u>Payable through General Capital Projects Fund</u>								
Jail and Justice Complex	9,300,000	3.92	12-2-07	6-22-08	0 \$	9,300,000 \$	9,300,000 \$	0
Total Payable through General Capital Projects Fund					\$ 0	\$ 9,300,000	\$ 9,300,000	0
<u>Payable through Highway/Public Works Fund</u>								
Asphalt Plant	300,000	3.99	2-28-08	2-29-11	0 \$	300,000 \$	0 \$	300,000
Total Payable through Highway/Public Works Fund					\$ 0	\$ 300,000	0 \$	300,000
Total Notes Payable					\$ 242,767	\$ 9,990,000	\$ 9,398,639	\$ 834,128
CAPITAL LEASES PAYABLE								
<u>Payable through Highway/Public Works Fund</u>								
Trucks	193,300	3.3	11-28-05	11-15-08	\$ 130,978	0 \$	64,410 \$	66,568
Total Capital Leases Payable					\$ 130,978	0 \$	64,410 \$	66,568
BONDS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Hardeman County Industrial, F.m.H.A.	189,000	5	1-1-1975	1-1-15	\$ 73,000	0 \$	8,000 \$	65,000
School Refunding	1,200,000	3 to 5.1	2-1-1994	1-1-09	210,000	0	130,000	80,000
School Refunding Series 2005	6,370,000	3.98	12-6-05	4-1-24	6,290,000	0	265,000	6,025,000
Total Bonds Payable					\$ 6,573,000	0 \$	403,000 \$	6,170,000

(Continued)

Exhibit K-1

Hardeman County, Tennessee
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds
Primary Government and Discretely Presented Hardeman County School Department (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>DISCRETELY PRESENTED HARDEMAN COUNTY SCHOOL DEPARTMENT</u>								
<u>CAPITAL LEASES PAYABLE</u>								
Payable through General Purpose School Fund	\$ 116,091	0 %	9-1-07	8-1-10	\$ 0	116,091 \$	39,181 \$	76,910
Modular Buildings Lease								
Total Capital Leases Payable					\$ 0	116,091 \$	39,181 \$	76,910

Exhibit K-2

Hardeman County, Tennessee
Schedule of Long-term Debt Requirements by Year
Primary Government and Discretely Presented Hardeman County School Department

PRIMARY GOVERNMENT

Year Ending June 30	Note Principal	Note Interest	Total Note Requirements
2009	\$ 222,823	\$ 34,056	\$ 256,879
2010	139,192	25,946	165,138
2011	133,148	20,503	153,651
2012	34,394	15,060	49,454
2013	34,585	13,534	48,119
2014	34,784	11,999	46,783
2015	39,992	10,456	50,448
2016	40,210	8,682	48,892
2017	35,000	6,898	41,898
2018	40,000	5,340	45,340
2019	40,000	3,560	43,560
2020	40,000	1,780	41,780
Total	\$ 834,128	\$ 157,814	\$ 991,942

Year Ending June 30	Capital Lease Principal	Capital Lease Interest	Total Capital Lease Requirements
2009	\$ 66,568	\$ 2,230	\$ 68,798
Total	\$ 66,568	\$ 2,230	\$ 68,798

Year Ending June 30	Bond Principal	Bond Interest	Total Bond Requirements
2009	\$ 363,000	\$ 244,885	\$ 607,885
2010	293,000	231,500	524,500
2011	309,000	219,732	528,732
2012	319,000	207,342	526,342
2013	335,000	194,529	529,529
2014	345,000	181,094	526,094
2015	361,000	167,236	528,236

(Continued)

Exhibit K-2

Hardeman County, Tennessee

Schedule of Long-term Debt Requirements by Year

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

PRIMARY GOVERNMENT (Cont.)

Year Ending June 30	Bond Principal	Bond Interest	Total Bond Requirements
2016	\$ 365,000	\$ 153,031	\$ 518,031
2017	380,000	138,504	518,504
2018	395,000	123,380	518,380
2019	410,000	107,659	517,659
2020	425,000	91,341	516,341
2021	445,000	74,426	519,426
2022	460,000	56,715	516,715
2023	480,000	38,407	518,407
2024	485,000	19,303	504,303
Total	<u>\$ 6,170,000</u>	<u>\$ 2,249,084</u>	<u>\$ 8,419,084</u>

DISCRETELY PRESENTED HARDEMAN COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Capital Lease Principal	Capital Lease Interest	Total Capital Lease Requirements
2009	\$ 35,497	\$ 0	\$ 35,497
2010	35,497	0	35,497
2011	5,916	0	5,916
Total	<u>\$ 76,910</u>	<u>\$ 0</u>	<u>\$ 76,910</u>

Exhibit K-3

Hardeman County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Hardeman County School Department
For the Year Ended June 30, 2008

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	General Debt Service	Debt payments	\$ 26,187
Other Capital Projects	General Debt Service	Debt payments	7,424
Total Transfers Primary Government			<u>\$ 33,611</u>
<u>DISCRETELY PRESENTED HARDEMAN</u> <u>COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ 7,663
School Federal Projects	General Purpose School	IDEA - DSP funding	147,516
Unemployment Compensation	General Purpose School	To close fund	798
Total Transfers Discretely Presented Hardeman County School Department			<u>\$ 155,977</u>

Exhibit K-4

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u> ,	\$ 67,997 (1)	50,000	Auto-Owners Mutual Insurance Company
Director of Schools	State Board of Education and County Board of Education	109,028 (2)	150,000	Tennessee Risk Management Trust
Highway Superintendent	Section 8-24-102, <u>TCA</u>	70,732	100,000	Auto-Owners Mutual Insurance Company
Trustee	Section 8-24-102, <u>TCA</u>	58,872 (3)	753,800	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	58,872	10,000	Western Surety Company
County Clerk	Section 8-24-102, <u>TCA</u>	58,872	50,000	Auto-Owners Mutual Insurance Company
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	58,872	65,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	58,872	80,000	Western Surety Company
Register	Section 8-24-102, <u>TCA</u>	58,872 (3)	25,000	Auto-Owners Mutual Insurance Company
Sheriff	Section 8-24-102, <u>TCA</u>	64,760 (4)	25,000	"
Employee Dishonesty Coverage:				
County General Employees			150,000	Tennessee Risk Management Trust
Highway Superintendent's Office			150,000	"
Office of Director of Schools:				
School Central Office Staff			150,000	"

- (1) Does not include purchasing agent supplement of \$3,600.
- (2) Does not include career ladder supplement of \$1,000.
- (3) Does not include educational incentive pay of \$1,500.
- (4) Does not include law enforcement training supplement of \$600.

Exhibit K-5

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

	Special Revenue Funds					Debt Service Fund			Capital Projects Funds			Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Other Capital Projects	Capital Projects Funds		Total		
								General Capital Projects	Other Capital Projects			
<u>Local Taxes</u>												
County Property Taxes												
Current Property Tax	\$ 2,809,326	0	0	0	31,570	0	0	0	0	0	0	2,840,896
Trustee's Collections - Prior Year	147,562	0	0	0	1,413	0	0	0	0	0	0	148,975
Trustee's Collections - Bankruptcy	5,209	0	0	0	71	0	0	0	0	0	0	5,280
Circuit/Clerk & Master Collections - Prior Years	73,208	0	0	0	711	0	0	0	0	0	0	73,919
Interest and Penalty	27,885	0	0	0	282	0	0	0	0	0	0	28,167
Payments in-Lieu-of Taxes - Other	196,953	0	0	0	471	0	0	0	0	0	0	197,424
<u>County Local Option Taxes</u>												
Local Option Sales Tax	235,971	0	0	0	0	0	0	0	0	0	0	235,971
Hotel/Motel Tax	11,939	0	0	0	0	0	0	0	0	0	0	11,939
Wheel Tax	0	0	0	776,438	0	579,789	0	0	0	0	0	1,356,227
Litigation Tax - General	113,173	0	0	0	0	0	0	0	0	0	0	113,173
Litigation Tax - Jail, Workhouse, or Courthouse	59,892	0	0	0	0	0	0	0	0	0	0	59,892
Business Tax	159,875	0	0	0	0	0	0	0	0	0	0	159,875
<u>Statutory Local Taxes</u>												
Bank Excise Tax	51,940	0	0	0	0	0	0	0	0	0	0	51,940
Wholesale Beer Tax	221,635	0	0	0	0	0	0	0	0	0	0	221,635
Interstate Telecommunications Tax	2,021	0	0	0	0	0	0	0	0	0	0	2,021
Total Local Taxes	\$ 4,116,589	0	0	\$ 776,438	34,518	\$ 579,789	0	0	0	0	0	\$ 5,507,334
<u>Licenses and Permits</u>												
<u>Licenses</u>												
Animal Registration	1,055	0	0	0	0	0	0	0	0	0	0	1,055
Cable TV Franchise	5,681	0	0	0	0	0	0	0	0	0	0	5,681
<u>Permits</u>												
Beer Permits	2,466	0	0	0	0	0	0	0	0	0	0	2,466
Building Permits	9,900	0	0	0	0	0	0	0	0	0	0	9,900
Other Permits	700	0	0	0	0	0	0	0	0	0	0	700
Total Licenses and Permits	\$ 19,802	0	0	0	0	0	0	0	0	0	0	\$ 19,802
<u>Fines, Forfeitures, and Penalties</u>												
Circuit Court	10,491	0	0	0	0	0	0	0	0	0	0	10,491
Fines												

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Fund		Capital Projects Funds			Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Other Capital Projects				
Fines, Forfeitures, and Penalties (Cont.)											
<u>Circuit Court (Cont.)</u>											
Officers Costs	\$ 9,590	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	9,590
Drug Control Fines	7,220	13,216	0	0	0	0	0	0	0	0	20,436
Drug Court Fees	3,715	0	0	0	0	0	0	0	0	0	3,715
Jail Fees	1,633	0	0	0	0	0	0	0	0	0	1,633
DUI Treatment Fines	428	0	0	0	0	0	0	0	0	0	428
Data Entry Fee - Circuit Court	792	0	0	0	0	0	0	0	0	0	792
Courtroom Security Fee	82	0	0	0	0	0	0	0	0	0	82
Victims Assistance Assessments	168	0	0	0	0	0	0	0	0	0	168
<u>General Sessions Court</u>											
Fines	32,421	0	0	0	0	0	0	0	0	0	32,421
Officers Costs	41,462	0	0	0	0	0	0	0	0	0	41,462
Game and Fish Fines	943	0	0	0	0	0	0	0	0	0	943
Drug Control Fines	6,113	6,597	0	0	0	0	0	0	0	0	12,710
Drug Court Fees	6,740	756	0	0	0	0	0	0	0	0	7,496
Jail Fees	11,397	0	0	0	0	0	0	0	0	0	11,397
DUI Treatment Fines	4,883	0	0	0	0	0	0	0	0	0	4,883
Data Entry Fee - General Sessions Court	6,074	0	0	0	0	0	0	0	0	0	6,074
Courtroom Security Fee	517	0	0	0	0	0	0	0	0	0	517
Victims Assistance Assessments	1,669	0	0	0	0	0	0	0	0	0	1,669
<u>Juvenile Court</u>											
Fines	513	0	0	0	0	0	0	0	0	0	513
Officers Costs	556	0	0	0	0	0	0	0	0	0	556
Jail Fees	38	0	0	0	0	0	0	0	0	0	38
Data Entry Fee - Juvenile Court	782	0	0	0	0	0	0	0	0	0	782
<u>Chancery Court</u>											
Officers Costs	1,957	0	0	0	0	0	0	0	0	0	1,957
Data Entry Fee - Chancery Court	2,224	0	0	0	0	0	0	0	0	0	2,224
<u>Other Courts - In-county</u>											
Officers Costs	152	0	0	0	0	0	0	0	0	0	152
<u>Other Fines, Forfeitures, and Penalties</u>											
Proceeds from Confiscated Property	0	33,680	0	0	0	0	0	0	0	0	33,680
Total Fines, Forfeitures, and Penalties	\$ 152,560	\$ 54,249	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 206,809

(Continued)

Exhibit K-5

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

	Special Revenue Funds				Debt Service Fund			Capital Projects Funds			Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Other Capital Projects				
<u>Charges for Current Services</u>											
<u>General Service Charges</u>											
Patient Charges	\$ 1,360,132	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,360,132	
Work Release Charges for Board Fees	2,476	0	0	0	0	0	0	0	0	2,476	
Copy Fees	2,386	0	0	0	0	0	0	0	0	2,386	
Telephone Commissions	16,667	0	0	0	0	0	0	0	0	16,667	
Vending Machine Collections	11	0	0	0	0	0	0	0	0	11	
Constitutional Officers' Fees and Commissions	0	0	512,553	0	0	0	0	0	0	512,553	
Data Processing Fee - Register	10,048	0	0	0	0	0	0	0	0	10,048	
Data Processing Fee - Sheriff	5,286	0	0	0	0	0	0	0	0	5,286	
<u>Other Charges for Services</u>											
Other Charges for Services	50	0	0	0	0	0	0	0	0	50	
Total Charges for Current Services	\$ 1,397,056	\$ 0	\$ 512,553	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,909,609	
<u>Other Local Revenues</u>											
<u>Recurring Items</u>											
Investment Income	\$ 406,349	\$ 0	\$ 0	\$ 0	\$ 0	\$ 153,555	\$ 3,305	\$ 0	\$ 0	\$ 563,209	
Lease/Rentals	181	0	0	0	0	0	0	0	0	181	
Sale of Maps	2,728	0	0	0	0	0	0	0	0	2,728	
Miscellaneous Refunds	21,758	0	0	1,706	0	0	0	0	0	23,464	
<u>Nonrecurring Items</u>											
Sale of Equipment	30	0	0	0	0	0	0	0	0	30	
Sale of Property	62,000	0	0	0	0	0	0	0	0	62,000	
Contributions and Gifts	6,253	0	0	0	0	0	0	0	0	6,253	
<u>Other Local Revenues</u>											
Other Local Revenues	41,591	0	0	0	0	0	0	0	0	41,591	
Total Other Local Revenues	\$ 540,890	\$ 0	\$ 0	\$ 1,706	\$ 0	\$ 153,555	\$ 3,305	\$ 0	\$ 0	\$ 699,456	
<u>Fees Received from County Officials</u>											
<u>Excess Fees</u>											
County Clerk	\$ 87,172	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 87,172	
Clerk and Master Register	34,704	0	0	0	0	0	0	0	0	34,704	
	3,556	0	0	0	0	0	0	0	0	3,556	

(Continued)

Exhibit K-5

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

	Special Revenue Funds				Debt Service Fund			Capital Projects Funds			Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Other Capital Projects				
<u>Fees Received from County Officials (Cont.)</u>											
<u>Excess Fees (Cont.)</u>											
Trustee	\$ 203,974	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 203,974	
Fees In-Lieu-of Salary											
Circuit Court Clerk	90,901	0	0	0	0	0	0	0	0	90,901	
General Sessions Court Clerk	277,865	0	0	0	0	0	0	0	0	277,865	
Juvenile Court Clerk	20,488	0	0	0	0	0	0	0	0	20,488	
Sheriff	28,392	0	0	0	0	0	0	0	0	28,392	
Total Fees Received from County Officials	\$ 747,052	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 747,052	
<u>State of Tennessee</u>											
<u>General Government Grants</u>											
Juvenile Services Program	7,560	0	0	0	0	0	0	0	0	7,560	
Airport Maintenance Program	8,974	0	0	0	0	0	0	0	0	8,974	
State Reappraisal Grant	12,650	0	0	0	0	0	0	0	0	12,650	
<u>Public Safety Grants</u>											
Law Enforcement Training Programs	9,000	0	0	0	0	0	0	0	0	9,000	
Health and Welfare Grants											
Health Department Programs	269,045	0	0	0	0	0	0	0	0	269,045	
<u>Public Works Grants</u>											
Bridge Program	0	0	0	296,434	0	0	0	0	0	296,434	
State Aid Program	0	0	0	154,323	0	0	0	0	0	154,323	
Litter Program	27,262	0	0	0	0	0	0	0	0	27,262	
<u>Other State Revenues</u>											
Income Tax	36,009	0	0	0	0	0	0	0	0	36,009	
Beer Tax	19,312	0	0	0	0	0	0	0	0	19,312	
Alcoholic Beverage Tax	55,065	0	0	0	0	0	0	0	0	55,065	
State Revenue Sharing - T.V.A.	661,117	0	0	0	0	0	0	0	0	661,117	
Contracted Prisoner Boarding	127,098	0	0	0	0	0	0	0	0	127,098	
Gasoline and Motor Fuel Tax	0	0	2,012,091	0	0	0	0	0	0	2,012,091	
Petroleum Special Tax	0	0	22,571	0	0	0	0	0	0	22,571	
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	0	16,380	
Other State Grants	67,729	0	0	0	0	0	0	0	0	67,729	
Other State Revenues	19,714	0	0	0	0	0	0	0	0	19,714	
Total State of Tennessee	\$ 1,336,915	\$ 0	\$ 2,485,419	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,822,334	

(Continued)

Exhibit K-5

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

	Special Revenue Funds				Debt Service Fund		Capital Projects Funds			Total
	General	Drug Control	Constitutional Officers Fees	Highway / Public Works	General Debt Service	Other Capital Projects	Capital Projects Funds		Total	
							General Capital Projects	Other Capital Projects		
Federal Government										
<u>Federal Through State</u>										
Homeland Security Grants	\$ 39,397	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 39,397
Law Enforcement Grants	1,780	0	0	0	0	0	0	0	0	1,780
Other Federal through State	83,389	0	0	0	0	0	0	0	0	83,389
<u>Direct Federal Revenue</u>	14,731	0	0	0	0	0	0	0	0	14,731
Other Direct Federal Revenue										
Total Federal Government	\$ 139,297	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 139,297
Other Governments and Citizens Groups										
<u>Other Governments</u>										
Contributions	\$ 20,761	\$ 0	\$ 0	\$ 0	\$ 733,875	\$ 9,465,065	\$ 0	\$ 0	\$ 0	\$ 10,219,701
<u>Other</u>	2,730	0	0	0	0	0	0	0	0	2,730
Other	23,491	0	0	0	733,875	9,465,065	0	0	0	10,222,431
Total Other Governments and Citizens Groups	\$ 8,473,652	\$ 54,249	\$ 512,553	\$ 3,263,563	\$ 768,393	\$ 10,198,409	\$ 3,305	\$ 0	\$ 0	\$ 23,274,124

Exhibit K-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 4,257,612	\$ 0	\$ 0	\$ 4,257,612
Trustee's Collections - Prior Year	262,809	0	0	262,809
Trustee's Collections - Bankruptcy	11,274	0	0	11,274
Circuit/Clerk & Master Collections - Prior Years	114,432	0	0	114,432
Interest and Penalty	41,508	0	1,725	43,233
Payments in-Lieu-of Taxes - Other	63,963	0	0	63,963
<u>County Local Option Taxes</u>				
Local Option Sales Tax	2,493,922	0	0	2,493,922
Other County Local Option Taxes	248	0	0	248
<u>Statutory Local Taxes</u>				
Interstate Telecommunications Tax	3,621	0	0	3,621
Total Local Taxes	\$ 7,249,389	\$ 0	\$ 1,725	\$ 7,251,114
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 3,164	\$ 0	\$ 0	\$ 3,164
Total Licenses and Permits	\$ 3,164	\$ 0	\$ 0	\$ 3,164
<u>Charges for Current Services</u>				
<u>Fees</u>				
Vending Machine Collections	\$ 900	\$ 0	\$ 0	\$ 900
<u>Education Charges</u>				
Tuition - Summer School	6,750	0	0	6,750
Lunch Payments - Children	0	0	225,277	225,277
Lunch Payments - Adults	0	0	61,025	61,025
Income from Breakfast	0	0	70,893	70,893
A la carte Sales	0	0	129,962	129,962
Contract for Instructional Services with Other LEAs	17,316	0	0	17,316
Receipts from Individual Schools	9,197	0	3,369	12,566
<u>Other Charges for Services</u>				
Other Charges for Services	75,878	0	39,049	114,927
Total Charges for Current Services	\$ 110,041	\$ 0	\$ 529,575	\$ 639,616
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 574	\$ 574
Lease/Rentals	28,752	0	0	28,752
Retirees' Insurance Payments	16,693	0	0	16,693
Miscellaneous Refunds	22,901	0	3,756	26,657
<u>Nonrecurring Items</u>				
Sale of Equipment	10,758	0	0	10,758
Sale of Property	500	0	0	500
Contributions and Gifts	17,149	0	0	17,149
<u>Other Local Revenues</u>				
Other Local Revenues	10,854	0	734,288	745,142
Total Other Local Revenues	\$ 107,607	\$ 0	\$ 738,618	\$ 846,225

(Continued)

Exhibit K-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 106,133	\$ 0	\$ 0	\$ 106,133
<u>State Education Funds</u>				
Basic Education Program	20,507,000	0	0	20,507,000
Early Childhood Education	1,167,593	0	0	1,167,593
School Food Service	24,897	0	0	24,897
Driver Education	9,425	0	0	9,425
Other State Education Funds	68,786	0	0	68,786
Career Ladder Program	239,407	0	0	239,407
Career Ladder - Extended Contract	131,750	0	0	131,750
<u>Other State Revenues</u>				
Other State Grants	105,000	0	0	105,000
Other State Revenues	35,784	0	0	35,784
Total State of Tennessee	\$ 22,395,775	\$ 0	\$ 0	\$ 22,395,775
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,146,305	\$ 1,146,305
Breakfast	0	0	486,783	486,783
USDA - Other	0	0	7,261	7,261
Vocational Education - Basic Grants to States	0	157,415	0	157,415
Title I Grants to Local Education Agencies	0	924,490	0	924,490
Innovative Education Program Strategies	0	193,608	0	193,608
Special Education - Grants to States	375,861	983,438	0	1,359,299
Special Education Preschool Grants	0	43,527	0	43,527
Safe and Drug-Free Schools - State Grants	0	21,455	0	21,455
Eisenhower Professional Development State Grants	0	285,553	0	285,553
Other Federal through State	28,391	125,000	0	153,391
<u>Direct Federal Revenue</u>				
ROTC Reimbursement	45,425	0	0	45,425
Other Direct Federal Revenue	244,083	0	0	244,083
Total Federal Government	\$ 693,760	\$ 2,734,486	\$ 1,640,349	\$ 5,068,595
Total	\$ 30,559,736	\$ 2,734,486	\$ 2,910,267	\$ 36,204,489

Exhibit K-7

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

General Fund

General Government

County Commission

Board and Committee Members Fees	\$ 13,931	
Total County Commission		\$ 13,931

Board of Equalization

Board and Committee Members Fees	\$ 1,190	
Total Board of Equalization		1,190

Beer Board

Board and Committee Members Fees	\$ 1,890	
Total Beer Board		1,890

Budget and Finance Committee

Board and Committee Members Fees	\$ 2,380	
Total Budget and Finance Committee		2,380

Other Boards and Committees

Board and Committee Members Fees	\$ 4,830	
Travel	1,820	
Total Other Boards and Committees		6,650

County Mayor/Executive

County Official/Administrative Officer	\$ 67,997	
Secretary(ies)	70,210	
Communication	3,378	
Maintenance and Repair Services - Office Equipment	802	
Postal Charges	1,978	
Travel	5,151	
Office Supplies	4,129	
Other Supplies and Materials	329	
Other Charges	144	
Total County Mayor/Executive		154,118

County Attorney

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

Election Commission

County Official/Administrative Officer	\$ 52,985	
Clerical Personnel	18,269	
Overtime Pay	398	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Board and Committee Members Fees	\$	3,150	
Election Workers		11,351	
Communication		2,460	
Dues and Memberships		178	
Legal Notices, Recording, and Court Costs		2,266	
Postal Charges		4,166	
Printing, Stationery, and Forms		3,597	
Rentals		14,125	
Travel		3,353	
Other Contracted Services		16,470	
Office Supplies		1,748	
Utilities		3,657	
Other Charges		3,498	
Office Equipment		7,328	
Total Election Commission			\$ 148,999

Register of Deeds

Educational Incentive - Official/Admin Officer	\$	1,500	
Educational Incentive - Other County Employees		3,000	
Communication		3,656	
Data Processing Services		9,315	
Postal Charges		460	
Travel		201	
Data Processing Supplies		624	
Office Supplies		5,412	
Total Register of Deeds			24,168

Development

County Official/Administrative Officer	\$	17,737	
Clerical Personnel		22,450	
Part-time Personnel		1,498	
Communication		2,102	
Contracts with Government Agencies		11,250	
Rentals		888	
Travel		2,485	
Office Supplies		896	
Other Charges		56	
Total Development			59,362

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings

Supervisor/Director	\$	33,109	
Custodial Personnel		39,661	
Communication		9,577	
Maintenance and Repair Services - Buildings		23,619	
Other Contracted Services		204	
Custodial Supplies		2,995	
Utilities		36,875	
Other Supplies and Materials		421	
Total County Buildings			\$ 146,461

Other General Administration

Land	\$	17,916	
Total Other General Administration			17,916

Finance

Accounting and Budgeting

Other Contracted Services	\$	12,750	
Periodicals		103	
Total Accounting and Budgeting			12,853

Purchasing

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

Property Assessor's Office

County Official/Administrative Officer	\$	58,872	
Deputy(ies)		43,446	
Clerical Personnel		32,241	
Part-time Personnel		5,272	
Communication		2,575	
Data Processing Services		14,692	
Dues and Memberships		1,185	
Maintenance and Repair Services - Office Equipment		407	
Postal Charges		902	
Travel		1,735	
Other Contracted Services		19,072	
Office Supplies		1,348	
Other Supplies and Materials		1,424	
Office Equipment		2,428	
Total Property Assessor's Office			185,599

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program

Other Salaries and Wages	\$	20,681	
Data Processing Services		3,476	
Postal Charges		333	
Travel		4,316	
Total Reappraisal Program			\$ 28,806

County Trustee's Office

Educational Incentive - Official/Admin Officer	\$	1,500	
Educational Incentive - Other County Employees		3,000	
Communication		4,024	
Maintenance and Repair Services - Office Equipment		118	
Postal Charges		7,409	
Office Supplies		5,631	
Office Equipment		2,115	
Total County Trustee's Office			23,797

County Clerk's Office

Communication	\$	2,899	
Maintenance and Repair Services - Office Equipment		9,086	
Postal Charges		4,450	
Office Supplies		3,954	
Total County Clerk's Office			20,389

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	58,872	
Deputy(ies)		45,911	
Clerical Personnel		96,284	
Part-time Personnel		10,715	
Educational Incentive - Other County Employees		2,925	
Jury and Witness Fees		7,692	
Other Per Diem and Fees		912	
Communication		4,103	
Maintenance and Repair Services - Office Equipment		850	
Postal Charges		5,525	
Travel		97	
Office Supplies		10,652	
Other Charges		211	
Office Equipment		2,263	
Total Circuit Court			247,012

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court

Judge(s)	\$ 92,465	
Secretary(ies)	6,494	
Part-time Personnel	3,600	
Dues and Memberships	190	
Travel	1,080	
Total General Sessions Court		\$ 103,829

Drug Court

Remittance of Revenue Collected	\$ 9,567	
Total Drug Court		9,567

Chancery Court

Educational Incentive - Official/Admin Officer	\$ 2,100	
Communication	1,894	
Data Processing Services	559	
Legal Notices, Recording, and Court Costs	2,902	
Maintenance and Repair Services - Office Equipment	315	
Postal Charges	7,058	
Travel	799	
Office Supplies	3,962	
Office Equipment	880	
Total Chancery Court		20,469

Juvenile Court

Other Salaries and Wages	\$ 26,780	
Communication	2,793	
Contracts with Government Agencies	4,900	
Contracts with Other Public Agencies	1,750	
Travel	1,997	
Drug Treatment	1,251	
Office Supplies	296	
Office Equipment	85	
Total Juvenile Court		39,852

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 64,760	
Assistant(s)	36,702	
Deputy(ies)	434,283	
Investigator(s)	126,487	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Salary Supplements	\$	9,000	
Dispatchers/Radio Operators		101,137	
Secretary(ies)		50,167	
Part-time Personnel		3,848	
Overtime Pay		27,066	
In-Service Training		6,925	
Communication		17,251	
Dues and Memberships		1,590	
Maintenance and Repair Services - Vehicles		41,806	
Postal Charges		3,983	
Travel		4,272	
Gasoline		105,024	
Office Supplies		9,423	
Tires and Tubes		1,037	
Uniforms		7,579	
Medical Claims		243	
Other Charges		9,188	
Communication Equipment		5,115	
Law Enforcement Equipment		1,582	
Motor Vehicles		59,372	
Office Equipment		4,154	
Total Sheriff's Department			\$ 1,131,994

Workhouse

Medical Personnel	\$	1,250
Guards		233,661
Cafeteria Personnel		19,335
Part-time Personnel		18,473
Overtime Pay		6,926
Communication		1,008
Maintenance and Repair Services - Buildings		30,200
Maintenance and Repair Services - Equipment		3,495
Medical and Dental Services		25,055
Custodial Supplies		17,996
Drugs and Medical Supplies		6,011
Electricity		54,467
Food Preparation Supplies		3,394
Food Supplies		112,568
Other Supplies and Materials		3,315
Other Charges		3,304

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Workhouse (Cont.)

Building Improvements	\$ 1,028	
Communication Equipment	35	
Total Workhouse	\$ 541,521	

Juvenile Services

Supervisor/Director	\$ 29,870	
Communication	1,041	
Postal Charges	218	
Office Supplies	87	
Office Equipment	656	
Total Juvenile Services	31,872	

Fire Prevention and Control

Contracts with Government Agencies	\$ 74,500	
Total Fire Prevention and Control	74,500	

Civil Defense

Supervisor/Director	\$ 5,520	
Part-time Personnel	1,200	
Communication	2,175	
Gasoline	327	
Office Supplies	115	
Other Charges	1,000	
Other Equipment	40,323	
Total Civil Defense	50,660	

County Coroner/Medical Examiner

Other Contracted Services	\$ 26,800	
Total County Coroner/Medical Examiner	26,800	

Public Health and Welfare

Local Health Center

Communication	\$ 7,186	
Contracts with Government Agencies	25,563	
Janitorial Services	14,400	
Maintenance and Repair Services - Buildings	4,801	
Postal Charges	4,301	
Travel	330	
Custodial Supplies	2,048	
Drugs and Medical Supplies	81	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Office Supplies	\$	3,368	
Utilities		13,061	
Other Supplies and Materials		2,760	
Total Local Health Center			\$ 77,899

Rabies and Animal Control

County Official/Administrative Officer	\$	23,166	
Communication		1,390	
Maintenance and Repair Services - Vehicles		1,145	
Travel		576	
Animal Food and Supplies		147	
Drugs and Medical Supplies		271	
Gasoline		5,041	
Uniforms		612	
Other Supplies and Materials		11,261	
Other Charges		3,159	
Total Rabies and Animal Control			46,768

Ambulance/Emergency Medical Services

Assistant(s)	\$	40,270	
Supervisor/Director		30,002	
Clerical Personnel		26,438	
Attendants		669,455	
Educational Incentive - Other County Employees		8,400	
Overtime Pay		184,079	
In-Service Training		3,505	
Communication		11,264	
Contracts with Private Agencies		17,122	
Maintenance and Repair Services - Buildings		3,269	
Maintenance and Repair Services - Vehicles		44,855	
Postal Charges		9,125	
Travel		1,063	
Custodial Supplies		3,938	
Drugs and Medical Supplies		85,747	
Gasoline		76,608	
Office Supplies		9,958	
Tires and Tubes		3,581	
Uniforms		5,020	
Utilities		9,457	
Refunds		14,565	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Other Charges	\$ 2,513	
Motor Vehicles	98,914	
Other Equipment	1,542	
Other Capital Outlay	1,850	
Total Ambulance/Emergency Medical Services		\$ 1,362,540

Dental Health Program

Medical Personnel	\$ 150,511	
Paraprofessionals	21,331	
Clerical Personnel	35,375	
Travel	8,020	
Drugs and Medical Supplies	17,819	
Total Dental Health Program		233,056

Alcohol and Drug Programs

Contributions	\$ 5,000	
Instructional Supplies and Materials	15,638	
Total Alcohol and Drug Programs		20,638

Crippled Children Services

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

Other Local Health Services

Contributions	\$ 3,000	
Total Other Local Health Services		3,000

Regional Mental Health Center

Contributions	\$ 10,000	
Total Regional Mental Health Center		10,000

Sanitation Education/Information

Foremen	\$ 9,193	
Laborers	5,972	
Employee and Dependent Insurance	4,974	
Instructional Supplies and Materials	6,382	
Other Supplies and Materials	823	
Other Charges	600	
Total Sanitation Education/Information		27,944

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Waste Pickup

Contracts with Private Agencies	\$ 228,036	
Total Waste Pickup		\$ 228,036

Convenience Centers

Supervisor/Director	\$ 9,785	
Part-time Personnel	148,887	
Communication	5,998	
Maintenance and Repair Services - Equipment	1,115	
Rentals	37	
Other Contracted Services	11,188	
Gasoline	685	
Office Supplies	59	
Uniforms	220	
Utilities	9,731	
Gravel and Chert	8,690	
Fencing	5,108	
Other Supplies and Materials	1,094	
Other Charges	1,801	
Solid Waste Equipment	24,960	
Total Convenience Centers		229,358

Landfill Operation and Maintenance

Custodial Supplies	\$ 69	
Uniforms	181	
Total Landfill Operation and Maintenance		250

Social, Cultural, and Recreational Services

Libraries

Contributions	\$ 7,150	
Other Contracted Services	78,257	
Total Libraries		85,407

Other Social, Cultural, and Recreational

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

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$ 67,000	
Communication	2,825	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Agriculture Extension Service (Cont.)

Rentals	\$	19,104	
Travel		2,000	
Utilities		3,749	
Other Supplies and Materials		825	
Other Capital Outlay		1,584	
Total Agriculture Extension Service			\$ 97,087

Forest Service

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

Soil Conservation

Secretary(ies)	\$	20,456	
Dues and Memberships		1,030	
Travel		1,761	
Other Supplies and Materials		840	
Total Soil Conservation			24,087

Other Operations

Industrial Development

Advertising	\$	164	
Contracts with Other Public Agencies		24,775	
Contributions		32,000	
Total Industrial Development			56,939

Housing and Urban Development

Other Contracted Services	\$	14,731	
Total Housing and Urban Development			14,731

Airport

Communication	\$	2,826	
Maintenance and Repair Services - Buildings		2,369	
Maintenance and Repair Services - Equipment		8,543	
Other Contracted Services		13,750	
Gasoline		16,512	
Utilities		9,472	
Other Charges		1,112	
Airport Improvement		406,008	
Total Airport			460,592

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services

Secretary(ies)	\$	7,068	
Communication		467	
Postal Charges		56	
Office Supplies		174	
Total Veterans' Services			\$ 7,765

Contributions to Other Agencies

Contributions	\$	25,000	
Dues and Memberships		17,617	
Total Contributions to Other Agencies			42,617

Employee Benefits

Social Security	\$	233,717	
State Retirement		407,387	
Employee and Dependent Insurance		529,277	
Disability Insurance		119,550	
Unemployment Compensation		7,345	
Employer Medicare		54,700	
Travel		37	
Total Employee Benefits			1,352,013

Miscellaneous

Audit Services	\$	7,255	
Contributions		31,400	
Data Processing Services		28,575	
Dues and Memberships		7,472	
Legal Notices, Recording, and Court Costs		7,919	
Other Contracted Services		10,873	
Liability Insurance		110,153	
Premiums on Corporate Surety Bonds		450	
Trustee's Commission		99,316	
Other Charges		35,470	
Total Miscellaneous			<u>338,883</u>

Total General Fund \$ 7,866,486

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	4,000	
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(Continued)

Exhibit K-7

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Maintenance and Repair Services - Vehicles	\$	602	
Gasoline		117	
Instructional Supplies and Materials		6,037	
Office Supplies		511	
Trustee's Commission		136	
Other Charges		5,672	
Law Enforcement Equipment		21,400	
Other Equipment		8,400	
Total Drug Enforcement			\$ 46,875

Total Drug Control Fund \$ 46,875

Constitutional Officers - Fees Fund

General Government

Register of Deeds

Constitutional Officers' Operating Expenses	\$	111,757	
Total Register of Deeds			\$ 111,757

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	119,076	
Total County Trustee's Office			119,076

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	167,362	
Total County Clerk's Office			167,362

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$	117,277	
Total Chancery Court			117,277

Total Constitutional Officers - Fees Fund 515,472

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	70,732	
Secretary(ies)		51,564	
Board and Committee Members Fees		9,215	

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Communication	\$	5,710	
Data Processing Services		5,584	
Dues and Memberships		3,854	
Legal Services		3,597	
Legal Notices, Recording, and Court Costs		230	
Postal Charges		702	
Rentals		2,092	
Travel		1,090	
Other Contracted Services		1,473	
Electricity		26,985	
Office Supplies		4,535	
Other Supplies and Materials		870	
Total Administration			\$ 188,233

Highway and Bridge Maintenance

Foremen	\$	124,312	
Laborers		557,089	
Overtime Pay		17,243	
Other Salaries and Wages		10,649	
Rentals		900	
Other Contracted Services		14,991	
Asphalt - Hot Mix		527,681	
Asphalt - Liquid		140,483	
Crushed Stone		139,054	
General Construction Materials		4,440	
Pipe		26,988	
Road Signs		7,581	
Chemicals		10,066	
Other Supplies and Materials		34	
Total Highway and Bridge Maintenance			1,581,511

Operation and Maintenance of Equipment

Foremen	\$	27,471	
Mechanic(s)		53,795	
Overtime Pay		2,992	
Other Salaries and Wages		1,422	
Equipment and Machinery Parts		112,862	
Garage Supplies		956	
Gasoline		238,442	
Lubricants		9,967	

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Tires and Tubes	\$ 23,076	
Uniforms	9,359	
Other Supplies and Materials	981	
Total Operation and Maintenance of Equipment		\$ 481,323

Other Charges

Liability Insurance	\$ 46,386	
Trustee's Commission	27,939	
Liability Claims	1,000	
Other Charges	129	
Total Other Charges		75,454

Employee Benefits

Social Security	\$ 57,148	
State Retirement	107,383	
Employee and Dependent Insurance	165,529	
Disability Insurance	47,843	
Unemployment Compensation	990	
Employer Medicare	13,365	
Other Fringe Benefits	985	
Total Employee Benefits		393,243

Capital Outlay

Principal on Capital Leases	\$ 64,410	
Interest on Capital Leases	4,388	
Bridge Construction	450,134	
Communication Equipment	1,695	
Highway Construction	117,138	
Highway Equipment	452,900	
State Aid Projects	224,513	
Other Capital Outlay	1,250	
Total Capital Outlay		<u>1,316,428</u>

Total Highway/Public Works Fund \$ 4,036,192

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 8,000	
Principal on Notes	22,992	
Total General Government		\$ 30,992

(Continued)

Exhibit K-7

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

General Debt Service Fund (Cont.)

Principal on Debt (Cont.)

Education

Principal on Bonds	\$ 395,000	
Principal on Notes	<u>75,646</u>	
Total Education		\$ 470,646

Interest on Debt

General Government

Interest on Bonds	\$ 3,450	
Interest on Notes	<u>10,618</u>	
Total General Government		14,068

Education

Interest on Bonds	\$ 257,737	
Interest on Notes	<u>4,607</u>	
Total Education		262,344

Other Debt Service

General Government

Trustee's Commission	\$ <u>678</u>	
Total General Government		678

Education

Other Charges	\$ <u>887</u>	
Total Education		<u>887</u>

Total General Debt Service Fund \$ 779,615

General Capital Projects Fund

Principal on Debt

General Government

Principal on Notes	\$ <u>9,300,000</u>	
Total General Government		\$ 9,300,000

Interest on Debt

General Government

Interest on Notes	\$ <u>165,065</u>	
Total General Government		165,065

Capital Projects

Administration of Justice Projects

Contributions	\$ 9,453,555	
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(Continued)

Exhibit K-7

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

<u>General Capital Projects Fund (Cont.)</u>		
<u>Capital Projects (Cont.)</u>		
<u>Administration of Justice Projects (Cont.)</u>		
Trustee's Commission	\$ 4,634	
Total Administration of Justice Projects		<u>\$ 9,458,189</u>
Total General Capital Projects Fund		\$ 18,923,254
<u>Other Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Other General Government Projects</u>		
Legal Services	\$ 5,500	
Other Charges	4,500	
Total Other General Government Projects		<u>\$ 10,000</u>
Total Other Capital Projects Fund		<u>10,000</u>
Total Governmental Funds - Primary Government		<u><u>\$ 32,177,894</u></u>

Exhibit K-8

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 9,933,366	
Career Ladder Program	132,500	
Career Ladder Extended Contracts	61,035	
Homebound Teachers	11,190	
Educational Assistants	320,066	
Other Salaries and Wages	3,721	
Certified Substitute Teachers	27,667	
Non-certified Substitute Teachers	62,744	
Social Security	636,538	
State Retirement	677,069	
Medical Insurance	1,443,066	
Dental Insurance	84,470	
Unemployment Compensation	14,462	
Employer Medicare	149,569	
Maintenance and Repair Services - Equipment	2,163	
Other Contracted Services	28,628	
Instructional Supplies and Materials	118,914	
Textbooks	258,135	
Other Supplies and Materials	391	
Other Charges	4,365	
Regular Instruction Equipment	35,061	
Total Regular Instruction Program		\$ 14,005,120

Alternative Instruction Program

Teachers	\$ 90,159	
Educational Assistants	11,228	
Social Security	6,186	
State Retirement	6,482	
Medical Insurance	12,267	
Dental Insurance	548	
Employer Medicare	1,447	
Instructional Supplies and Materials	9,322	
Total Alternative Instruction Program		137,639

Special Education Program

Teachers	\$ 1,576,790	
Career Ladder Program	16,000	
Career Ladder Extended Contracts	3,500	
Educational Assistants	132,082	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Speech Pathologist	\$	51,586	
Certified Substitute Teachers		2,216	
Non-certified Substitute Teachers		5,962	
Social Security		109,205	
State Retirement		120,082	
Medical Insurance		200,130	
Dental Insurance		11,970	
Unemployment Compensation		947	
Employer Medicare		24,603	
Contracts with Other School Systems		157,800	
Contracts with Private Agencies		20,049	
Other Contracted Services		144	
Instructional Supplies and Materials		11,830	
Other Supplies and Materials		680	
Total Special Education Program			\$ 2,445,576

Vocational Education Program

Teachers	\$	856,311	
Career Ladder Program		12,000	
Career Ladder Extended Contracts		1,200	
Certified Substitute Teachers		1,749	
Non-certified Substitute Teachers		5,479	
Social Security		53,183	
State Retirement		54,255	
Medical Insurance		117,400	
Dental Insurance		6,889	
Unemployment Compensation		360	
Employer Medicare		12,438	
Other Contracted Services		322	
Instructional Supplies and Materials		22,024	
Total Vocational Education Program			1,143,610

Support Services

Attendance

Supervisor/Director	\$	60,788	
Career Ladder Program		2,000	
Career Ladder Extended Contracts		4,000	
Clerical Personnel		1,696	
Other Salaries and Wages		33,275	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

Social Security	\$	6,291	
State Retirement		8,566	
Medical Insurance		23,349	
Dental Insurance		1,386	
Unemployment Compensation		40	
Employer Medicare		1,471	
Travel		2,260	
Other Supplies and Materials		347	
In Service/Staff Development		125	
Total Attendance			\$ 145,594

Health Services

Medical Personnel	\$	101,772	
Social Security		6,098	
State Retirement		13,271	
Medical Insurance		32,692	
Dental Insurance		1,728	
Unemployment Compensation		80	
Employer Medicare		1,426	
Travel		3,169	
Other Contracted Services		1,910	
Drugs and Medical Supplies		9,313	
Other Supplies and Materials		1,954	
In Service/Staff Development		251	
Total Health Services			173,664

Other Student Support

Career Ladder Program	\$	8,000	
Guidance Personnel		556,651	
Career Ladder Extended Contracts		3,500	
Social Workers		77,210	
Other Salaries and Wages		72,257	
Certified Substitute Teachers		55	
Social Security		43,868	
State Retirement		49,108	
Medical Insurance		82,329	
Dental Insurance		4,214	
Unemployment Compensation		220	
Employer Medicare		10,260	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Evaluation and Testing	\$	8,606	
Travel		6,620	
Other Supplies and Materials		13,226	
In Service/Staff Development		1,380	
Other Charges		181	
Other Equipment		5,869	
Total Other Student Support			\$ 943,554

Regular Instruction Program

Supervisor/Director	\$	158,646	
Career Ladder Program		13,500	
Career Ladder Extended Contracts		13,675	
Librarians		403,062	
Educational Assistants		68,909	
Other Salaries and Wages		262,832	
Non-certified Substitute Teachers		110	
Social Security		56,025	
State Retirement		61,856	
Medical Insurance		107,449	
Dental Insurance		5,636	
Unemployment Compensation		400	
Employer Medicare		13,103	
Maintenance and Repair Services - Equipment		8,512	
Travel		7,678	
Other Contracted Services		49,933	
Library Books/Media		92,604	
Other Supplies and Materials		604	
In Service/Staff Development		2,164	
Other Charges		60,963	
Other Equipment		189,189	
Total Regular Instruction Program			1,576,850

Alternative Instruction Program

Supervisor/Director	\$	13,792	
Social Security		850	
State Retirement		858	
Medical Insurance		2,707	
Dental Insurance		43	
Unemployment Compensation		20	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Alternative Instruction Program (Cont.)

Employer Medicare	\$	199	
Travel		224	
Total Alternative Instruction Program			\$ 18,693

Special Education Program

Supervisor/Director	\$	30,713	
Career Ladder Program		7,000	
Psychological Personnel		114,077	
Assessment Personnel		114,474	
Clerical Personnel		23,518	
Other Salaries and Wages		155,479	
Social Security		27,303	
State Retirement		28,215	
Medical Insurance		37,520	
Dental Insurance		1,736	
Employer Medicare		6,385	
Travel		9,000	
Other Contracted Services		18,337	
In Service/Staff Development		780	
Total Special Education Program			574,537

Vocational Education Program

Supervisor/Director	\$	62,000	
Career Ladder Program		1,000	
Career Ladder Extended Contracts		500	
Social Security		3,786	
State Retirement		3,960	
Medical Insurance		9,683	
Dental Insurance		46	
Employer Medicare		885	
Travel		832	
Other Supplies and Materials		1,679	
Other Charges		1,415	
Other Equipment		5,604	
Total Vocational Education Program			91,390

Other Programs

On-Behalf Payments to OPEB	\$	106,133	
Total Other Programs			106,133

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education

Board and Committee Members Fees	\$	6,000	
Social Security		526	
State Retirement		324	
Medical Insurance		14,911	
Unemployment Compensation		22	
Employer Medicare		123	
Audit Services		11,573	
Dues and Memberships		11,599	
Legal Services		20,988	
Travel		8,048	
Other Contracted Services		2,000	
Other Supplies and Materials		334	
Liability Insurance		29,820	
Premiums on Corporate Surety Bonds		2,294	
Trustee's Commission		184,088	
Workers' Compensation Insurance		119,634	
In Service/Staff Development		465	
Other Charges		<u>2,325</u>	
Total Board of Education	\$		415,074

Director of Schools

County Official/Administrative Officer	\$	108,028
Career Ladder Program		1,000
Secretary(ies)		17,574
Clerical Personnel		16,339
Social Security		8,191
State Retirement		10,536
Medical Insurance		4,778
Dental Insurance		275
Employer Medicare		2,062
Communication		29,960
Dues and Memberships		457
Maintenance and Repair Services - Equipment		134
Postal Charges		3,750
Travel		2,411
Other Contracted Services		17,333
Office Supplies		2,983
Other Supplies and Materials		2,522
In Service/Staff Development		135

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Other Charges	\$	2,936	
Administration Equipment		<u>3,005</u>	
Total Director of Schools			\$ 234,409

Office of the Principal

Principals	\$	554,654	
Career Ladder Program		16,500	
Career Ladder Extended Contracts		12,970	
Assistant Principals		324,500	
Secretary(ies)		354,307	
Social Security		77,454	
State Retirement		100,919	
Medical Insurance		93,856	
Dental Insurance		5,109	
Employer Medicare		18,114	
Travel		46	
Administration Equipment		<u>7,841</u>	
Total Office of the Principal			1,566,270

Fiscal Services

Supervisor/Director	\$	30,307	
Accountants/Bookkeepers		85,445	
Career Ladder Extended Contracts		4,000	
Secretary(ies)		5,249	
Clerical Personnel		12,487	
Social Security		7,982	
State Retirement		15,784	
Medical Insurance		1,850	
Employer Medicare		1,867	
Data Processing Services		7,268	
Travel		866	
Data Processing Supplies		683	
Office Supplies		3,616	
Other Supplies and Materials		1,184	
In Service/Staff Development		710	
Administration Equipment		<u>995</u>	
Total Fiscal Services			180,293

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Human Services/Personnel

Supervisor/Director	\$	95,587	
Social Security		5,743	
State Retirement		8,820	
Medical Insurance		9,683	
Dental Insurance		779	
Employer Medicare		1,343	
Dues and Memberships		40	
Travel		1,480	
Office Supplies		1,065	
In Service/Staff Development		225	
Total Human Services/Personnel			\$ 124,765

Operation of Plant

Supervisor/Director	\$	38,018	
Career Ladder Extended Contracts		2,000	
Custodial Personnel		24,153	
Social Security		3,990	
State Retirement		5,645	
Medical Insurance		2,964	
Dental Insurance		189	
Employer Medicare		933	
Janitorial Services		639,167	
Travel		346	
Disposal Fees		14,444	
Custodial Supplies		211	
Electricity		573,552	
Natural Gas		229,972	
Water and Sewer		65,811	
Boiler Insurance		7,340	
Building and Contents Insurance		133,733	
Other Charges		200	
Total Operation of Plant			1,742,668

Maintenance of Plant

Supervisor/Director	\$	24,646	
Secretary(ies)		13,862	
Maintenance Personnel		190,238	
Other Salaries and Wages		5,660	
In-Service Training		87	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Social Security	\$	14,349	
State Retirement		30,262	
Medical Insurance		23,332	
Dental Insurance		1,693	
Employer Medicare		3,356	
Communication		87	
Laundry Service		4,016	
Maintenance and Repair Services - Buildings		52,101	
Maintenance and Repair Services - Equipment		101,431	
Maintenance and Repair Services - Vehicles		410	
Travel		2,085	
Other Contracted Services		12,301	
Equipment and Machinery Parts		1,174	
General Construction Materials		33,992	
Other Supplies and Materials		34,040	
In Service/Staff Development		735	
Other Charges		3,064	
Administration Equipment		1,586	
Maintenance Equipment		34,650	
Site Development		2,533	
Total Maintenance of Plant			\$ 591,690

Transportation

Supervisor/Director	\$	38,018
Career Ladder Extended Contracts		2,000
Mechanic(s)		179,690
Bus Drivers		471,902
Clerical Personnel		9,628
Other Salaries and Wages		15,985
In-Service Training		6,638
Social Security		44,580
State Retirement		84,350
Medical Insurance		27,456
Dental Insurance		1,631
Unemployment Compensation		94
Employer Medicare		10,426
Communication		5
Laundry Service		2,965
Maintenance and Repair Services - Vehicles		15,094

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Medical and Dental Services	\$	6,429	
Travel		1,516	
Diesel Fuel		315,902	
Garage Supplies		13,074	
Gasoline		53,044	
Lubricants		3,395	
Tires and Tubes		47,915	
Vehicle Parts		74,206	
Other Supplies and Materials		14,799	
Vehicle and Equipment Insurance		41,290	
In Service/Staff Development		1,400	
Other Charges		16,865	
Transportation Equipment		362,120	
Total Transportation			\$ 1,862,417

Central and Other

Supervisor/Director	\$	43,268	
Computer Programmer(s)		54,783	
Social Security		6,064	
State Retirement		11,623	
Medical Insurance		8,145	
Dental Insurance		457	
Employer Medicare		1,418	
Data Processing Services		54	
Maintenance and Repair Services - Equipment		150	
Travel		3,322	
Other Contracted Services		2,628	
Data Processing Supplies		833	
Other Supplies and Materials		995	
In Service/Staff Development		3,687	
Data Processing Equipment		13,464	
Total Central and Other			150,891

Operation of Non-Instructional Services

Food Service

Career Ladder Program	\$	1,000	
Social Security		62	
State Retirement		62	
Employer Medicare		15	
Total Food Service			1,139

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Community Services

Supervisor/Director	\$	58,349	
Part-time Personnel		4,350	
Certified Substitute Teachers		578	
Social Security		4,008	
State Retirement		6,722	
Medical Insurance		7,566	
Dental Insurance		298	
Employer Medicare		937	
Travel		1,043	
Food Supplies		375	
Other Supplies and Materials		20,414	
Other Charges		1,742	
Other Equipment		4,163	
Total Community Services			\$ 110,545

Early Childhood Education

Supervisor/Director	\$	107,191	
Teachers		373,348	
Educational Assistants		132,656	
Certified Substitute Teachers		1,250	
Non-certified Substitute Teachers		5,126	
Social Security		37,372	
State Retirement		43,321	
Medical Insurance		67,623	
Dental Insurance		4,396	
Employer Medicare		8,740	
Travel		2,670	
Instructional Supplies and Materials		116,239	
Other Supplies and Materials		12,427	
In Service/Staff Development		5,835	
Other Charges		680	
Other Equipment		29,843	
Total Early Childhood Education			948,717

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	227,662	
Site Development		3,250	
Other Capital Outlay		123	
Total Regular Capital Outlay			231,035

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Principal on Debt

Education

Principal on Capital Leases	\$ 39,181	
Total Education		\$ 39,181

Other Debt Service

Education

Contributions	\$ 733,875	
Total Education		<u>733,875</u>

Total General Purpose School Fund		\$ 30,295,329
-----------------------------------	--	---------------

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 566,268	
Educational Assistants	54,990	
Other Salaries and Wages	268,976	
Certified Substitute Teachers	9,072	
Non-certified Substitute Teachers	2,013	
Social Security	55,634	
State Retirement	59,252	
Medical Insurance	98,536	
Dental Insurance	4,386	
Unemployment Compensation	42	
Employer Medicare	12,924	
Travel	8,630	
Other Contracted Services	24,018	
Instructional Supplies and Materials	120,711	
Other Supplies and Materials	7,167	
Regular Instruction Equipment	<u>2,034</u>	
Total Regular Instruction Program		\$ 1,294,653

Special Education Program

Educational Assistants	\$ 480,102	
Social Security	30,714	
State Retirement	56,498	
Employer Medicare	5,601	
Instructional Supplies and Materials	<u>68,491</u>	
Total Special Education Program		641,406

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Educational Assistants	\$	13,133	
Social Security		746	
State Retirement		1,713	
Employer Medicare		190	
Other Supplies and Materials		66,981	
Other Charges		1,050	
Vocational Instruction Equipment		61,746	
Total Vocational Education Program			\$ 145,559

Support Services

Other Student Support

Other Salaries and Wages	\$	46,947	
Social Security		2,940	
State Retirement		6,122	
Medical Insurance		10,001	
Dental Insurance		506	
Employer Medicare		620	
Travel		17,248	
Other Contracted Services		1,738	
In Service/Staff Development		5,968	
Other Charges		10,477	
Total Other Student Support			102,567

Regular Instruction Program

Supervisor/Director	\$	96,258	
Other Salaries and Wages		21,735	
Social Security		7,299	
State Retirement		11,705	
Medical Insurance		9,364	
Dental Insurance		242	
Employer Medicare		1,707	
Postal Charges		155	
Travel		8,619	
Other Contracted Services		351	
Instructional Supplies and Materials		2,032	
Other Supplies and Materials		7,778	
In Service/Staff Development		32,827	
Other Equipment		14,630	
Total Regular Instruction Program			214,702

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program

Other Salaries and Wages	\$	146,586	
Social Security		9,908	
State Retirement		14,624	
Employer Medicare		1,862	
Travel		7,846	
Total Special Education Program			\$ 180,826

Vocational Education Program

Travel	\$	3,569	
In Service/Staff Development		904	
Total Vocational Education Program			4,473

Total School Federal Projects Fund \$ 2,584,186

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	90,004	
Accountants/Bookkeepers		24,618	
Cafeteria Personnel		746,921	
Other Salaries and Wages		1,511	
Social Security		58,971	
State Retirement		97,993	
Medical Insurance		5,101	
Dental Insurance		192	
Employer Medicare		11,450	
Communication		290	
Maintenance and Repair Services - Equipment		8,134	
Travel		1,390	
Contracts for Postclosure Care Costs		177	
Other Contracted Services		26,234	
Food Preparation Supplies		3,532	
Food Supplies		1,067,285	
Office Supplies		5,912	
Uniforms		609	
Utilities		45,177	
Other Supplies and Materials		87,305	
In Service/Staff Development		2,216	
Other Charges		16,403	

(Continued)

Exhibit K-8

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

<u>Central Cafeteria Fund (Cont.)</u>		
<u>Operation of Non-Instructional Services (Cont.)</u>		
<u>Food Service (Cont.)</u>		
Food Service Equipment	\$ 75,350	
Total Food Service	<u> </u>	\$ <u>2,376,775</u>
Total Central Cafeteria Fund		\$ <u>2,376,775</u>
Total Governmental Funds - Hardeman County School Department		\$ <u><u>35,256,290</u></u>

Exhibit K-9

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

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	<u>\$ 1,287,887</u>
Total Cash Receipts	<u>\$ 1,287,887</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,275,008
Trustee's Commission	<u>12,879</u>
Total Cash Disbursements	<u>\$ 1,287,887</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>

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 37243-0269
PHONE (615) 401-7841

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

November 18, 2008

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardeman County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise Hardeman County's basic financial statements and have issued our report thereon dated November 18, 2008. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Hardeman County Emergency Communications District, which were not available by other auditors as of the date of this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 08.01, 08.02, 08.03, 08.04, 08.05, 08.06, 08.07, 08.08, 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 Hardeman County's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hardeman County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 08.09 and 08.10.

We consider item 08.12 described in the accompanying Schedule of Findings and Questioned Costs to be a noteworthy control deficiency over financial operations. We also noted certain matters that we reported to management of Hardeman County in separate communications.

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

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

Very truly yours,

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

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 37243-0269
PHONE (615) 401-7841

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

November 18, 2008

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

To the County Mayor and Board of County Commissioners:

Compliance

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

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

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

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

Internal Control Over Compliance

The management of Hardeman County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Hardeman County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hardeman County's internal control over compliance.

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

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

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

Schedule of Expenditures of Federal Awards

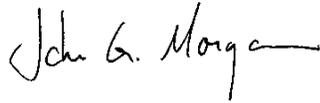
We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardeman County, Tennessee, as of and for the year ended June 30, 2008, and have issued our report thereon dated November 18, 2008. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Hardeman County Emergency Communications District, which was not available from other auditors as of the date of this report. Our

audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Hardeman County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

Yours very truly,

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

John G. Morgan
Comptroller of the Treasury

JGM/yu

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Hardeman 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	\$ 156,536 (5)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	486,783
National School Lunch Program	10.555	N/A	1,146,305 (5)
Summer Food Service Program for Children	10.559	N/A	7,261
Total U.S. Department of Agriculture			<u>\$ 1,796,885</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Z08022764	\$ 7,560
Direct Federal Revenue:			
Bullet-proof Vest Partnership Program	16.607	(2)	1,780
Total U.S. Department of Justice			<u>\$ 9,340</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Airport Safety Improvement Grant	20.106	(3)	\$ 83,389
Total U.S. Department of Transportation			<u>\$ 83,389</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 996,190
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	1,306,039
Special Education - Preschool Grants	84.173	N/A	38,976
Vocational Education - Basic Grants to States	84.048	N/A	175,192
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	46,403
State Grants for Innovative Programs	84.298	N/A	67,351
Education Technology State Grants	84.318	(2)	16,216
Rural Education	84.358	(2)	94,798
Gaining Early Awareness and Reading for Undergraduate Programs	84.334	N/A	120,010
Improving Teacher Quality State Grants	84.367	N/A	282,443
Direct Federal Revenue:			
Literacy Through School Libraries	84.364	(2)	244,083
Total U.S. Department of Education			<u>\$ 3,387,701</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Health:			
Preventive Health and Health Services Block Grant	93.991	Z07031555	\$ 269,045
Total U.S. Department of Health and Human Services			<u>\$ 269,045</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	(4)	\$ 39,397
Total U.S. Department of Homeland Security			<u>\$ 39,397</u>
Total Expenditures of Federal Awards			<u>\$ 5,585,757</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
State Grants:			
Airport Maintenance Program - State Department of Transportation	N/A	(2)	\$ 8,974
Litter Program - State Department of Transportation	N/A	Z07033803	27,262
Reappraisal Program - Comptroller of the Treasury	N/A	(2)	12,650
Coordinated School Health	N/A	(2)	105,000
Community Enhancement Grants - Tennessee Secretary of State	N/A	(2)	10,000
Community Enhancement Grants - Tennessee Secretary of State	N/A	(2)	25,000
Tobacco Cessation Grants - State Department of Health	N/A	(2)	15,789
Computer Grant - Administrative Office of the Courts	N/A	(2)	16,940
Solid Waste Grants - State Department of Environment and Conservation	N/A	(2)	9,500
Save The Children - Save The Children Federation, Inc.	N/A	(2)	<u>75,878</u>
Total State Grants			<u>\$ 306,993</u>

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Z-03-01425312: \$1,537; Z-08-200625-01: \$81,852.
- (4) Z-05-025164-01: \$3,142; GG-07-20816-00: \$36,255.
- (5) Total for CFDA No. 10.555 is \$1,302,841.

Hardeman 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 Hardeman County, Tennessee, for the year ended June 30, 2007, which have not been corrected.

OFFICE OF COUNTY MAYOR

Finding Number	Page Number	Subject
07.01	158	The Solid Waste Disposal Fund had a deficit in unrestricted net assets
07.02	158	Expenditures exceeded appropriations

OTHER FINDING

Finding Number	Page Number	Subject
07.07	161	A central system of accounting and budgeting had not been adopted

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HARDEMAN 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 aggregate discretely presented component units is qualified. Our report on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Hardeman County disclosed significant deficiencies in internal control. None of these conditions was considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of Hardeman County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program, the National School Lunch Program, and USDA Other (CFDA Nos. 10.553, 10.555, and 10.556); the Title I Grants to Local Educational Agencies (CFDA No. 84.010); Special Education Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Hardeman County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

OFFICE OF COUNTY MAYOR

FINDING 08.01 THE EMERGENCY MEDICAL SERVICES DIRECTOR AND A MEDICAL TECHNICIAN MISAPPROPRIATED COUNTY FUNDS, RESULTING IN A CASH SHORTAGE OF \$2,898.79
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The Tennessee Bureau of Investigation conducted an investigation into allegations of misconduct by certain Hardeman County Emergency Medical Services (EMS) personnel. The investigation revealed that Mandy Forman, the director of the EMS, and Jacqueline Kelley, a medical technician, ordered drugs and medical supplies for their personal use through EMS's accounts. Invoices for these drugs and medical supplies were approved by the EMS director and forwarded to the County Mayor's Office for payment. These purchases for personal use resulted in a cash shortage of \$2,898.79. The EMS director, as management, overrode the internal control system by approving these illegal purchases. Mandy Forman's employment was terminated on December 19, 2007, and Jacqueline Kelley resigned on January 7, 2008. On January 7, 2008, Ms. Forman was found guilty of official misconduct, received two years of judicial diversion, and was ordered to pay restitution of \$1,881.14. Ms. Kelley was found guilty of official misconduct, received one year of judicial diversion, and was ordered to pay restitution of \$1,017.65. Both parties paid the restitution in January 2008.

RECOMMENDATION

County officials should look at ways to strengthen internal controls over the purchase of drugs and medical supplies.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

The County Mayor's Office has reviewed the internal control system with the new EMS director, and we will strengthen our system for purchasing drugs and medical supplies.

**FINDING 08.02 A CASH SHORTAGE OF \$3,032.47 EXISTED IN THE SOLID WASTE DISPOSAL FUND AT JUNE 30, 2008
(Internal Control – Significant Deficiency Under Government Auditing Standards)**

A cash shortage totaling \$3,032.47 existed in the Solid Waste Disposal Fund at June 30, 2008. This cash shortage is composed of the following two amounts:

- A. Collections received at the Landfill Office were delivered to the Solid Waste Office to be entered into the solid waste disposal accounting system. However, collections delivered to the Solid Waste Office totaling \$2,152.97 were not entered into the accounting system or deposited with the county trustee.
- B. All residents and businesses in Hardeman County are assessed a landfill fee, which is billed monthly and collected at the Solid Waste Office. Receipts issued for these monthly collections totaling \$879.50 were not deposited with the county trustee.

Contrary to sound business practice, management had not reconciled collections at the Landfill Office or at the Solid Waste Office with amounts receipted into the accounting system and deposited with the county trustee. It should be noted that some receipts were held in the Solid Waste Office up to 48 days before being deposited with the county trustee. Section 5-8-207, Tennessee Code Annotated, requires all funds to be deposited within three days of collection. This finding has been reviewed with the district attorney general's office.

RECOMMENDATION

County officials should take immediate steps to collect the \$3,032.47 cash shortage. To strengthen internal controls over cash collections and deposits, collections should be deposited intact within three days of collection, and monthly reconciliations should be performed to ensure funds are properly entered into the accounting system and deposited with the county trustee.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

The Solid Waste Office has improved the internal controls regarding how funds are transferred and accounted for until deposited with the county trustee within three days. The District Attorney General's Office is handling the legal specifics to collect the \$3,032.47 owed to the county. Contrina Robertson accepted responsibility for the cash shortage and agreed to pay the county back in full. Ms. Robertson resigned on October 29, 2008.

FINDING 08.03 THE SOLID WASTE DISPOSAL FUND HAD A DEFICIT IN UNRESTRICTED NET ASSETS
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The Solid Waste Disposal Fund had a deficit of \$2,142,040 in unrestricted net assets at June 30, 2008. This deficit primarily resulted from the recognition of a liability (\$2,299,406) for future costs associated with closing the county's landfill and monitoring the landfill for 30 years after closure. Generally accepted accounting principles and state statutes require that such costs be reflected in the financial statements.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY MAYOR

The county recognizes the deficit in unrestricted net assets but no plan has been put in place to fund it at this time.

FINDING 08.04 THE SOLID WASTE OFFICE DOES NOT HAVE POLICIES AND PROCEDURES FOR DELINQUENT AND UNCOLLECTIBLE ACCOUNTS
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The Solid Waste Office does not have a policy to write-off uncollectible accounts. A significant number of solid waste accounts appear to be uncollectible. The County Commission has not defined what is to be considered as uncollectible nor has it established a procedure to write-off those accounts that are determined to be uncollectible. Also, the office does not have a procedure to collect delinquent accounts. A significant number of accounts are more than one year delinquent. The County Commission has not established a course of action for collecting delinquent accounts.

At June 30, 2008, the Solid Waste Office reflected \$99,834 in uncollected accounts. Of that amount, \$78,028 appears to be uncollectible or more than one year delinquent for various reasons, such as duplication of accounts, residents moving out of the county, and incorrect billing information. The absence of policies and procedures provides the department with no guidance on steps to collect delinquent accounts or procedures to determine when to write-off such accounts.

RECOMMENDATION

The County Commission should develop policies and procedures that define uncollectible accounts and provide guidance for writing-off those accounts deemed uncollectible.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

The county will establish policies and procedures to define uncollectible accounts and provide guidance to write-off accounts deemed uncollectible.

FINDING 08.05 THE SOFTWARE PREVIOUSLY USED BY THE LANDFILL OFFICE DID NOT HAVE ADEQUATE APPLICATION CONTROLS
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The software applications that existed at the Landfill Office during part of the year under examination had the following internal control deficiencies:

- A. Receipts could be purged from the software application.
- B. Users had the capability to change or delete information on receipts, leaving no evidence of the original receipt.
- C. 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 application controls be implemented. Because the vendor did not design the system with these controls, inappropriate system activity could occur. The office began using a new software program during the year, which resolved the above-noted deficiencies.

FINDING 08.06 THE LANDFILL OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The following weaknesses regarding computer system backup procedures in the office were identified during the audit period:

- A. System backups were not performed on a routine basis. Inadequate backup procedures could result in the loss of data in the event of a hardware or software failure. Without current system backups, the cost of re-creating data could be substantial.
- B. Although some system backups were performed, only three compact discs were used. The reliability of magnetic media declines as backup media is

continually reused. Magnetic media failure can lead to the inability to retrieve data if system backups are not reliable. The cost of re-creating data can be substantial.

- C. System backups were not stored off-site. 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.

Sound business practices dictate that proper backup procedures be implemented. Because the office was unaware of the importance of these controls, they were not implemented until several months into the fiscal year. The office has implemented daily system backup procedures. A backup labeled for each day of the week is being maintained. The office currently rotates backup media to an off-site location.

OFFICE OF HIGHWAY SUPERINTENDENT

FINDING 08.07 **THE HIGHWAY/PUBLIC WORKS FUND APPROPRIATIONS EXCEEDED ESTIMATED AVAILABLE FUNDS (Internal Control – Significant Deficiency Under Government Auditing Standards)**

The budget and subsequent amendments submitted to and approved by the County Commission for the Highway/Public Works Fund resulted in appropriations exceeding estimated available funding causing a budgeted fund deficit of \$193,686. Sound budgetary principles dictate that appropriations be held within estimated available funding. The budget deficiency was a result of the beginning budgeted fund balance being underestimated by over \$800,000.

RECOMMENDATION

Appropriations that exceed estimated available funds should not be submitted to the County Commission, and the County Commission should not approve such appropriations. The estimated beginning fund balance should be made on a more realistic basis to provide county officials with accurate information to base funding decisions and should be amended during the year when it becomes apparent that the original estimate varies from the actual amount by a material amount.

MANAGEMENT'S RESPONSE – HIGHWAY SUPERINTENDENT

The Highway Department has always maintained an undesignated fund balance similar to the state's "rainy day fund." Whenever the need has arisen, the department has used these undesignated funds. When expenses that are not customary arise, we submit to the Budget Committee and the County Commission a budget amendment to appropriate funds from the undesignated fund balance to an expenditure account. These budget amendments are not based on estimated available funds but on actual funds available, undesignated fund balance, and cash with trustee.

AUDITOR'S REBUTTAL

The Highway/Public Works Fund's actual fund balance at July 1, 2007, was \$1,478,912; however, the estimated fund balance reflected in the county's budget was \$663,914. Therefore, the actual fund balance exceeded the estimated fund balance presented to the County Commission during the budget process by \$814,998. However, management failed to subsequently amend the estimated beginning fund balance account to bring these additional funds into the budget process. Management did obtain approval to increase appropriations resulting in the budgeted fund deficit. When it becomes apparent that the original estimated beginning fund balance varies from the actual amount by a material amount, a budget amendment should be submitted to correct the original estimate.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 08.08 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICE OF DIRECTOR OF SCHOOLS**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Duties were not segregated adequately among employees in the Office of Director of Schools. Employees responsible for maintaining accounting records were also involved in receipting, depositing, and disbursing funds. The bookkeeper writes and also signs vendor checks. Accounting standards provide that internal controls be designed to give 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 management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

To strengthen internal controls, the Board of Education has hired additional accounting personnel so duties can be adequately separated. Presently the Office of Director of Schools is working toward full segregation of duties as new personnel become trained and capable of handling transactions in an effective and efficient manner.

FINDING 08.09 THE OFFICE FAILED TO COMPLY WITH STATE STATUTES WHEN ENTERING INTO A LEASE-PURCHASE AGREEMENT
(Noncompliance Under Government Auditing Standards)

On September 1, 2007, the office entered into a three-year lease-purchase agreement for portable buildings (\$116,091) without the prior approval of the County Commission. Section 7-51-904, Tennessee Code Annotated (TCA), requires lease-purchase agreements to be approved by resolution of the County Commission. Additionally, the office did not file a Report 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 county must provide to the state director of Local Finance certain information, such as a description of the purchase for which the debt is issued, a description of the debt obligation, and an itemized description of the costs of issuance. Officials advised that they were not aware of the requirements that lease-purchase agreements must be approved by the County Commission and reported to the state director of Local Finance.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

On October 21, 2008, the Office of Director of Schools received the approval of the County Commission for the lease-purchase of the three portable buildings. We are now aware of the requirements related to leases.

OFFICE OF SHERIFF

FINDING 8.10 THE OFFICE DID NOT COMPLY WITH FEDERAL REGULATIONS AND LOCAL PERSONNEL POLICIES FOR COMPENSATORY TIME
(Noncompliance Under Government Auditing Standards)

On December 31, 2007, the Sheriff's Department had seven employees with accumulated compensatory time over 80 hours. The amount of accumulated compensatory time on that date for those employees ranged from 122.63 to 508.13 hours. The county's personnel policy states that employees may accumulate a maximum of 80 hours of compensatory time during each calendar year. Any accumulated hours in excess of 80 at the end of the calendar year must be paid to the employee. It should also be noted that federal wage and hour regulations limit the amount of accrued compensatory time to 480 hours for public safety employees. This deficiency exists because the sheriff has found it difficult to allow his employees time-off and prefers not to pay for overtime hours.

RECOMMENDATION

County officials should comply with federal wage and hour regulations and county personnel policies regarding compensatory time.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

County officials will work with employees to bring this area under control and maintain compensatory time within the county's personnel policy.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 08.11 **THE OFFICES OF SOLID WASTE, COUNTY CLERK, AND CLERK AND MASTER DID NOT REVIEW SOFTWARE AUDIT LOGS**

(Internal Control – Significant Deficiency Under Government Auditing Standards)

The software applications used by the Offices of Solid Waste, County Clerk, and Clerk and Master, generated daily logs that displayed changes made by users. Because these logs provided the only audit trail of these changes, they should be reviewed daily for inappropriate activity. Because officials were not aware of the importance or existence of these logs, management did not begin reviewing these logs until several months into the fiscal year. Procedures for reviewing these logs are currently in place.

MANAGEMENT'S RESPONSE – CLERK AND MASTER

The application referred to in the audit to track changes made in the system has never been discussed with me, and I do not agree that a finding was warranted. I did not know that the tracking system even existed until the auditor informed me. As stated in the finding, at that point the procedure for reviewing this log has been implemented and will continue to be generated and monitored on a daily basis.

REBUTTAL

While we commend your prompt response to the recommendation, auditing standards require that we report all significant deficiencies that exist in the office's internal control structure during the audit period. It is management's responsibility to design and implement internal controls for the office. Therefore, they are responsible for evaluating the software used to ensure adequate controls are in place and should have been aware of the audit log that was available. The auditor cannot be part of the office's internal control system; therefore, it is not the auditor's responsibility to evaluate the controls for management.

FINDING 08.12 **A CENTRAL SYSTEM OF ACCOUNTING AND BUDGETING HAD NOT BEEN ADOPTED**
(Internal Control – Control Deficiency Under Government Auditing Standards)

County officials had not adopted a central system of accounting and budgeting. Sound business practice dictates that establishing a central system would significantly improve internal controls over the accounting and budgeting processes. The absence of a central system of accounting and budgeting has been a management decision by the County Commission resulting in decentralization and some duplication of effort.

RECOMMENDATION

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

MANAGEMENT’S RESPONSE – COUNTY MAYOR

The county has discussed a central system of accounting, budgeting, and purchasing for all county departments, but no decision has been made to move forward to put one in place at this time.

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS

The Office of Director of Schools does not see the need for a centralized accounting and budgeting system. We are the largest entity within Hardeman County government, and the accounting and budgeting system of the Hardeman County Board of Education has appropriate internal controls already in place. We are constantly seeking to improve our system as evidenced by our response to Finding 08.08. We, as the Hardeman County Board of Education, do not see any benefits to our organization from a centralized accounting and budgeting system.

AUDITOR’S REBUTTAL TO DIRECTOR OF SCHOOL’S RESPONSE

The benefits obtained from a central system of accounting and budgeting should be viewed from the governmental entity as a whole and not just the School Department. Some benefits typically include the ability to employ personnel with higher educational and technical skills, to reduce the rate for adding new accounting personnel as the entity grows, to improve operational efficiency and economy of effort.

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

There were no findings and questioned costs for federal awards.

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**HARDEMAN 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.