



**ANNUAL FINANCIAL REPORT
HARDEMAN COUNTY, TENNESSEE**



FOR THE YEAR ENDED JUNE 30, 2011



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FOR THE YEAR ENDED JUNE 30, 2011**

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This financial report is available at www.tn.gov/comptroller

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Audit Highlights
Annual Financial Report
Hardeman County, Tennessee
For the Year Ended June 30, 2011

Scope

We have audited the basic financial statements of Hardeman County as of and for the year ended June 30, 2011.

Results

Our report on the aggregate discretely presented component units is qualified because the financial statements do not include one 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 five findings and recommendations, which we have reviewed with Hardeman County management. Detailed findings, recommendations, and management's responses are included in the Single Audit section of this report.

Findings and Best Practices

The following are summaries of the audit findings and best practices:

OFFICE OF COUNTY MAYOR

- ◆ The office had deficiencies in budget operations.
- ◆ Amounts withheld from contractor payments were not deposited into an escrow account.
- ◆ The Solid Waste Disposal Fund had a deficit in unrestricted net assets.

OFFICE OF SHERIFF

- ◆ Accounting records were not properly maintained and reconciled on a timely basis.
 - ◆ Profits from the commissary operations were not remitted to the county trustee monthly.
-

BEST PRACTICES

The Division of County Audit strongly believes that the items noted below are best practices that should be considered by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of Hardeman County.

- Hardeman County should adopt a central system of accounting, budgeting, and purchasing.
- Hardeman County should establish an Audit Committee.

INTRODUCTORY SECTION

Hardeman County Officials

June 30, 2011

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
John Doolen, Sheriff

Board of County Commissioners

Willie Spencer, County Mayor, Chairman	Anthony Pulse
Joe Cole	Jackie Sain
Bobby Doyle	Opal Shaw
Keith Foote	Mac Vaughn
Johnny Lanier	John Watson
Max Lanier	Elvis White
Junious McTizic	Major Wilburn
Viscen Morrow	Steve Young
Aubrey Phillips	

Board of Highway Supervisors

Mike Mitchell, Chairman
Kenny Pulse
Tony Ross

Board of Education

Terry King, Chairman	Bobby Henderson
Jennifer Aylor	Jerry McCord
Beverly Bodiford	Richard Nelms
Patricia Carter	Larry Williams
Rickey Griggs	

FINANCIAL SECTION



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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INDEPENDENT AUDITOR'S REPORT

February 21, 2012

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, 2011, 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 financial position of the aggregate discretely presented component units of Hardeman County, Tennessee, as of June 30, 2011, and the results of operations of the aggregate discretely presented component units, for the year 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, 2011, 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 February 21, 2012, 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 has adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which became effective for the year ended June 30, 2011.

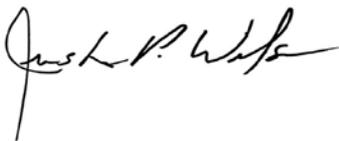
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison, pension, and other postemployment benefits information on pages 63 through 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in

the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hardeman County's financial statements as a whole. 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 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on it.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury

JPW/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Hardeman County, Tennessee
Statement of Net Assets
June 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Hardeman County School Department
<u>ASSETS</u>				
Cash	\$ 75,190	\$ 340	\$ 75,530	\$ 9
Equity in Pooled Cash and Investments	3,726,123	1,190,283	4,916,406	5,629,141
Accounts Receivable	1,281,647	193,590	1,475,237	33,818
Allowance for Uncollectibles	(641,542)	(81,243)	(722,785)	0
Due from Other Governments	969,936	0	969,936	2,154,319
Due from Other Funds	0	5,574	5,574	0
Due from Primary Government	0	0	0	100,000
Property Taxes Receivable	2,915,858	0	2,915,858	5,405,583
Allowance for Uncollectible Property Taxes	(130,155)	0	(130,155)	(264,885)
Cash Shortage	0	2,232	2,232	0
Deferred Charges - Debt Issuance Costs	39,040	0	39,040	0
Capital Assets:				
Assets Not Depreciated:				
Land	1,477,092	219,838	1,696,930	358,116
Assets Net of Accumulated Depreciation:				
Buildings and Improvements	4,133,416	1,369,915	5,503,331	11,994,780
Infrastructure	12,710,462	0	12,710,462	0
Other Capital Assets	2,341,818	251,570	2,593,388	1,653,500
Total Assets	\$ 28,898,885	\$ 3,152,099	\$ 32,050,984	\$ 27,064,381
<u>LIABILITIES</u>				
Accounts Payable	\$ 104,263	\$ 47,298	\$ 151,561	\$ 84,138
Accrued Payroll	7,649	0	7,649	0
Payroll Deductions Payable	2,597	2,223	4,820	11,504
Retainage Payable	47,039	0	47,039	0
Due to Other Funds	5,574	0	5,574	0
Due to Component Units	95,500	0	95,500	0
Due to State of Tennessee	1,588	0	1,588	0
Accrued Interest Payable	53,147	0	53,147	0
Deferred Revenue - Current Property Taxes	2,672,530	0	2,672,530	4,883,189
Noncurrent Liabilities:				
Due Within One Year	462,470	83,046	545,516	47,250
Due in More Than One Year (net of deferred amount on refunding)	5,268,234	2,385,815	7,654,049	631,568
Total Liabilities	\$ 8,720,591	\$ 2,518,382	\$ 11,238,973	\$ 5,657,649

(Continued)

Exhibit A

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

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Hardeman County School Department
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	\$ 20,283,823	\$ 1,780,615	\$ 22,064,438	\$ 13,975,852
Restricted for:				
Drug Control	90,764	0	90,764	0
Highways/Public Works	1,348,281	0	1,348,281	0
Debt Service	1,060,000	0	1,060,000	0
Capital Projects	646,922	0	646,922	0
Litigation Tax - Jail, Workhouse, or Courthouse	347,230	0	347,230	0
Automation Purposes	107,328	0	107,328	0
Central Cafeteria	0	0	0	606,597
Other Purposes	17,755	0	17,755	67,905
Unrestricted	(3,723,809)	(1,146,898)	(4,870,707)	6,756,378
Total Net Assets	<u>\$ 20,178,294</u>	<u>\$ 633,717</u>	<u>\$ 20,812,011</u>	<u>\$ 21,406,732</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, 2011

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	Total Governmental Activities	Primary Government		Total	
						Governmental Activities	Business- type Activities		
Primary Government:									
Governmental Activities:									
General Government	\$ 1,011,136	\$ 294,957	\$ 110,470	\$ 0	\$ (605,709)	\$ 0	\$ (605,709)	\$ 0	0
Finance	784,119	419,225	940	0	(363,954)	0	(363,954)	0	0
Administration of Justice	1,011,779	614,545	9,090	0	(388,144)	0	(388,144)	0	0
Public Safety	4,515,437	329,495	12,706	159,289	(4,013,947)	0	(4,013,947)	0	0
Public Health and Welfare	2,932,256	1,388,540	392,078	0	(1,151,638)	0	(1,151,638)	0	0
Social, Cultural, and									
Recreational Services	102,546	0	0	0	(102,546)	0	(102,546)	0	0
Agriculture and Natural									
Resources	110,296	0	0	0	(110,296)	0	(110,296)	0	0
Other Operations	943,854	0	120,582	80,821	(742,451)	0	(742,451)	0	0
Highways/Public Works	3,261,197	0	1,982,049	1,416,332	137,184	0	137,184	0	0
Education	0	0	100,000	0	100,000	0	100,000	0	0
Interest on Long-term Debt	236,224	0	0	0	(236,224)	0	(236,224)	0	0
Other Debt Service	26,595	0	0	0	(26,595)	0	(26,595)	0	0
Total Governmental Activities	\$ 14,935,439	\$ 3,046,762	\$ 2,727,915	\$ 1,656,442	\$ (7,504,320)	\$ 0	\$ (7,504,320)	\$ 0	0
Business-type Activities:									
Solid Waste Disposal	\$ 986,890	\$ 1,430,940	\$ 0	\$ 0	\$ 0	\$ 444,050	\$ 444,050	\$ 0	0
Total Business-type Activities	\$ 986,890	\$ 1,430,940	\$ 0	\$ 0	\$ 0	\$ 444,050	\$ 444,050	\$ 0	0
Total Primary Government	\$ 15,922,329	\$ 4,477,702	\$ 2,727,915	\$ 1,656,442	\$ (7,504,320)	\$ 444,050	\$ (7,060,270)	\$ 0	0
Component Unit:									
Hardeman County									
School Department	\$ 37,186,901	\$ 524,565	\$ 5,834,854	\$ 109,750	\$ 0	\$ 0	\$ (30,717,732)	\$ (30,717,732)	0
Total Component Unit	\$ 37,186,901	\$ 524,565	\$ 5,834,854	\$ 109,750	\$ 0	\$ 0	\$ (30,717,732)	\$ (30,717,732)	0

(Continued)

Exhibit B

Hardeman County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Hardeman County School Department
					Governmental Activities	Business-type Activities		
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes		\$ 2,393,069	\$ 0	\$ 0	\$ 2,393,069	\$ 5,555,945		
Property Taxes Levied for Debt Service		34,926	0	0	34,926	0		
Local Option Sales Tax		234,248	0	0	234,248	2,151,796		
Wheel Tax		1,564,642	0	0	1,564,642	0		
Litigation Tax		170,639	0	0	170,639	0		
Business Tax		179,242	0	0	179,242	0		
Wholesale Beer Tax		201,770	0	0	201,770	0		
Other Local Taxes		13,021	0	0	13,021	1,962		
Grants and Contributions Not Restricted for Specific Programs		1,691,326	4,481	0	1,695,807	22,814,218		
Unrestricted Investment Income		182,263	10,243	0	192,506	2,582		
Miscellaneous		13,466	6,502	0	19,968	74,659		
Total General Revenues		\$ 6,678,612	\$ 21,226	\$ 6,699,838	\$ 6,699,838	\$ 30,601,162		
Change in Net Assets		\$ (825,708)	\$ 465,276	\$ (360,432)	\$ (360,432)	\$ (116,570)		
Net Assets, July 1, 2010		21,004,002	168,441	21,172,443	21,172,443	21,523,302		
Net Assets, June 30, 2011		\$ 20,178,294	\$ 633,717	\$ 20,812,011	\$ 20,812,011	\$ 21,406,732		

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

Exhibit C-1

Hardeman County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2011

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 75,190	\$ 75,190
Equity in Pooled Cash and Investments	1,629,941	700,790	618,758	776,634	3,726,123
Accounts Receivable	1,281,407	0	56	184	1,281,647
Allowance for Uncollectibles	(641,542)	0	0	0	(641,542)
Due from Other Governments	280,680	689,256	0	0	969,936
Due from Other Funds	1,095	0	0	8,298	9,393
Property Taxes Receivable	2,883,856	0	32,002	0	2,915,858
Allowance for Uncollectible Property Taxes	(128,530)	0	(1,625)	0	(130,155)
Advances to Other Funds	0	0	331,966	0	331,966
Total Assets	<u>\$ 5,306,907</u>	<u>\$ 1,390,046</u>	<u>\$ 981,157</u>	<u>\$ 860,306</u>	<u>\$ 8,538,416</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 104,056	\$ 0	\$ 0	\$ 207	\$ 104,263
Accrued Payroll	7,649	0	0	0	7,649
Payroll Deductions Payable	1,442	1,155	0	0	2,597
Retainage Payable	0	0	0	47,039	47,039
Due to Other Funds	13,872	0	0	1,095	14,967
Due to Component Units	95,500	0	0	0	95,500
Due to State of Tennessee	1,588	0	0	0	1,588
Deferred Revenue - Current Property Taxes	2,643,793	0	28,737	0	2,672,530
Deferred Revenue - Delinquent Property Taxes	100,308	0	1,475	0	101,783
Other Deferred Revenues	537,264	265,426	0	0	802,690
Advances from Other Funds	331,966	0	0	0	331,966
Total Liabilities	<u>\$ 3,837,438</u>	<u>\$ 266,581</u>	<u>\$ 30,212</u>	<u>\$ 48,341</u>	<u>\$ 4,182,572</u>
<u>Fund Balances</u>					
<u>Restricted:</u>					
Restricted for General Government	\$ 34,024	\$ 0	\$ 0	\$ 0	\$ 34,024
Restricted for Finance	2,502	0	0	0	2,502
Restricted for Administration of Justice	66,075	0	0	0	66,075
Restricted for Public Safety	355,606	0	0	90,764	446,370
Restricted for Public Health and Welfare	14,106	0	0	0	14,106
Restricted for Highways/Public Works	0	304,998	0	0	304,998
Restricted for Debt Service	0	0	950,945	0	950,945
Restricted for Capital Projects	0	0	0	1,720	1,720
<u>Committed:</u>					
Committed for Finance	0	0	0	74,279	74,279
Committed for Public Health and Welfare	9,036	0	0	0	9,036
Committed for Highways/Public Works	0	818,467	0	0	818,467
Committed for Capital Projects	0	0	0	645,202	645,202
Unassigned	988,120	0	0	0	988,120
Total Fund Balances	<u>\$ 1,469,469</u>	<u>\$ 1,123,465</u>	<u>\$ 950,945</u>	<u>\$ 811,965</u>	<u>\$ 4,355,844</u>
Total Liabilities and Fund Balances	<u>\$ 5,306,907</u>	<u>\$ 1,390,046</u>	<u>\$ 981,157</u>	<u>\$ 860,306</u>	<u>\$ 8,538,416</u>

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, 2011

Amounts reported for governmental activities in the statement of net assets

(Exhibit A) are different because:

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$ 4,355,844
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 1,477,092	
Add: buildings and improvements net of accumulated depreciation	4,133,416	
Add: infrastructure net of accumulated depreciation	12,710,462	
Add: other capital assets net of accumulated depreciation	<u>2,341,818</u>	20,662,788
(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	\$ (338,965)	
Less: bonds payable	(5,205,000)	
Add: deferred amount on refunding	160,727	
Add: deferred charges - debt issuance costs	39,040	
Less: compensated absences payable	(347,466)	
Less: accrued interest on bonds and notes	<u>(53,147)</u>	(5,744,811)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>904,473</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 20,178,294</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, 2011

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 3,451,261	\$ 782,321	\$ 35,460	\$ 782,321	\$ 5,051,363
Licenses and Permits	28,546	0	0	0	28,546
Fines, Forfeitures, and Penalties	132,410	0	0	30,432	162,842
Charges for Current Services	1,420,583	0	0	290,219	1,710,802
Other Local Revenues	287,857	36,146	0	274	324,277
Fees Received from County Officials	860,588	0	0	0	860,588
State of Tennessee	1,654,739	2,049,632	0	0	3,704,371
Federal Government	300,876	326,699	0	80,821	708,396
Other Governments and Citizens Groups	29,804	0	517,757	0	547,561
Total Revenues	\$ 8,166,664	\$ 3,194,798	\$ 553,217	\$ 1,184,067	\$ 13,098,746
<u>Expenditures</u>					
Current:					
General Government	\$ 814,538	\$ 0	\$ 0	\$ 0	\$ 814,538
Finance	300,230	0	0	289,623	589,853
Administration of Justice	593,110	0	0	600	593,710
Public Safety	2,548,537	0	0	65,974	2,614,511
Public Health and Welfare	2,593,756	0	0	0	2,593,756
Social, Cultural, and Recreational Services	90,464	0	0	0	90,464
Agriculture and Natural Resources	110,296	0	0	0	110,296
Other Operations	2,418,588	0	0	0	2,418,588
Highways	0	3,168,187	0	0	3,168,187
Debt Service:					
Principal on Debt	0	103,937	338,211	0	442,148
Interest on Debt	0	4,111	236,088	0	240,199
Other Debt Service	0	0	950	0	950
Capital Projects	604,425	0	0	946,552	1,550,977
Total Expenditures	\$ 10,073,944	\$ 3,276,235	\$ 575,249	\$ 1,302,749	\$ 15,228,177
Excess (Deficiency) of Revenues					
Over Expenditures	\$ (1,907,280)	\$ (81,437)	\$ (22,032)	\$ (118,682)	\$ (2,129,431)
<u>Other Financing Sources (Uses)</u>					
Insurance Recovery	\$ 68,560	\$ 12,218	\$ 0	\$ 0	\$ 80,778
Transfers In	0	0	5,436	25,000	30,436
Transfers Out	(30,436)	0	0	0	(30,436)
Total Other Financing Sources (Uses)	\$ 38,124	\$ 12,218	\$ 5,436	\$ 25,000	\$ 80,778
Net Change in Fund Balances					
Fund Balance, July 1, 2010	\$ (1,869,156)	\$ (69,219)	\$ (16,596)	\$ (93,682)	\$ (2,048,653)
	3,338,625	1,192,684	967,541	905,647	6,404,497
Fund Balance, June 30, 2011					
	\$ 1,469,469	\$ 1,123,465	\$ 950,945	\$ 811,965	\$ 4,355,844

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, 2011

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ (2,048,653)
(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	\$ 1,526,335	
Less: current-year depreciation expense	<u>(1,622,727)</u>	(96,392)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net assets.		
Add: assets donated and capitalized - bridge project with state	\$ 926,638	
Less: proceeds received from the disposal of capital assets	<u>(70,812)</u>	855,826
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2011	\$ 904,473	
Less: deferred delinquent property taxes and other deferred June 30, 2010	<u>(724,131)</u>	180,342
(4) The issuance of long-term debt (e.g., bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items.		
Less: change in deferred debt issuance costs	\$ (3,074)	
Add: principal payments on bonds	309,000	
Add: principal payments on notes	133,148	
Less: change in deferred amount on refunding debt	<u>(22,571)</u>	416,503
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ 3,975	
Change in compensated absences payable	<u>(137,309)</u>	<u>(133,334)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (825,708)</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, 2011

Business-type
 Activities -
 Major
 Enterprise
 Fund

 Solid Waste
 Disposal
 Fund

ASSETS

Current Assets:	
Cash	\$ 340
Equity in Pooled Cash and Investments	1,190,283
Accounts Receivable	193,590
Allowance for Uncollectibles	(81,243)
Due from Other Funds	5,574
Cash Shortage	2,232
Total Current Assets	<u>\$ 1,310,776</u>
Noncurrent Assets:	
Capital Assets:	
Assets Not Depreciated:	
Land	\$ 219,838
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	1,369,915
Machinery and Equipment	251,570
Total Noncurrent Assets	<u>\$ 1,841,323</u>
Total Assets	<u>\$ 3,152,099</u>

LIABILITIES

Current Liabilities:	
Accounts Payable	\$ 47,298
Payroll Deductions Payable	2,223
Accrued Liability for Landfill Closure/Postclosure Care Costs	3,490
Compensated Absences Payable	18,848
Capital Outlay Note Payable	60,708
Total Current Liabilities	<u>\$ 132,567</u>
Noncurrent Liabilities:	
Accrued Liability for Landfill Closure/Postclosure Care Costs	\$ 2,385,815
Total Noncurrent Liabilities	<u>\$ 2,385,815</u>
Total Liabilities	<u>\$ 2,518,382</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	\$ 1,780,615
Unrestricted	<u>(1,146,898)</u>
Net Assets	<u>\$ 633,717</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, 2011

	Business-type Activities - Major Enterprise Fund
	<hr/> Solid Waste Disposal Fund <hr/>
<u>Operating Revenues</u>	
Solid Waste Disposal Fee	\$ 1,430,940
Miscellaneous Refunds	6,502
Total Operating Revenues	<hr/> \$ 1,437,442 <hr/>
<u>Operating Expenses</u>	
County Official/Administrative Officer	\$ 33,750
Laborers	134,423
Clerical Personnel	26,606
Part-time Personnel	14,325
Other Per Diem and Fees	10,380
Social Security	14,946
State Retirement	21,646
Employee and Dependent Insurance	39,889
Disability Insurance	28,247
Unemployment Compensation	273
Employer Medicare	3,053
Communication	6,571
Consultant	18,688
Contracts with Private Agencies	185,822
Dues and Memberships	1,088
Legal Notices, Recording, and Court Costs	1,343
Maintenance and Repair Services - Buildings	2,694
Maintenance and Repair Services - Equipment	46,850
Maintenance and Repair Services - Vehicles	8,400
Postal Charges	5,612
Travel	859
Disposal Fees	19,324
Custodial Supplies	833
Data Processing Supplies	5,254
Food Supplies	2,773
Gasoline	39,130
Lubricants	5,626

(Continued)

Exhibit D-2

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

	Business-type Activities - Major Enterprise Fund <hr/> Solid Waste Disposal Fund <hr/>
<u>Operating Expenses (Cont.)</u>	
Office Supplies	\$ 4,470
Uniforms	2,679
Utilities	32,197
Gravel and Chert	5,878
Other Supplies and Materials	6,073
Liability Insurance	5,359
Depreciation	142,296
Surcharge	18,431
Landfill Closure/Postclosure Care Costs	39,350
Other Charges	42,011
Other Capital Outlay	5,099
Total Operating Expenses	<hr/> \$ 982,248
Operating Income	<hr/> \$ 455,194
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 10,243
Solid Waste Grants	4,481
Interest on Notes	(4,642)
Total Nonoperating Revenues (Expenses)	<hr/> \$ 10,082
Change in Net Assets	\$ 465,276
Net Assets, July 1, 2010	<hr/> 168,441
Net Assets, June 30, 2011	<hr/> <hr/> \$ 633,717

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, 2011

	Business-type Activities - Major Enterprise Fund <hr/> Solid Waste Disposal Fund <hr/>
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 1,372,700
Payments for Waste Disposal and Maintenance	(774,379)
Net Cash Provided By (Used In) Operating Activities	<hr/> \$ 598,321 <hr/>
<u>Cash Flows from Noncapital Financing Activities</u>	
Solid Waste Grants	\$ 4,481
Net Cash Provided By (Used In) Noncapital Financing Activities	<hr/> \$ 4,481 <hr/>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of Capital Assets	\$ (27,148)
Principal Paid on Notes	(58,094)
Interest Paid on Notes	(4,642)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<hr/> \$ (89,884) <hr/>
<u>Cash Flows from Investing Activities</u>	
Investment Income	\$ 10,243
Net Cash Provided By (Used In) Investing Activities	<hr/> \$ 10,243 <hr/>
Increase (Decrease) in Cash	\$ 523,161
Cash, July 1, 2010	<hr/> 667,462 <hr/>
Cash, June 30, 2011	<hr/> <hr/> \$ 1,190,623 <hr/> <hr/>
<u>Reconciliation of Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities</u>	
Operating Income	\$ 455,194
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	142,296
Changes in Assets and Liabilities:	
(Increase) in Accounts Receivable	(70,914)
(Increase) in Due from Other Funds	(202)
Decrease in Cash Shortage	800
Increase in Accounts Payable	19,271
Increase in Payroll Deductions Payable	2,212
(Decrease) in Due to State of Tennessee	(66)
Increase in Compensated Absences Payable	10,380
Increase in Accrued Liability for Landfill Closure/Postclosure Costs	<hr/> 39,350 <hr/>
Net Cash Provided By (Used In) Operating Activities	<hr/> <hr/> \$ 598,321 <hr/> <hr/>
<u>Reconciliation of Cash with Statement of Net Assets</u>	
Cash per Net Assets	\$ 340
Equity in Pooled Cash and Investments per Net Assets	<hr/> 1,190,283 <hr/>
Cash, June 30, 2011	<hr/> <hr/> \$ 1,190,623 <hr/> <hr/>

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, 2011

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 775,346
Accounts Receivable	524
Due from Other Governments	<u>279,995</u>
Total Assets	<u>\$ 1,055,865</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 279,995
Due to Litigants, Heirs, and Others	<u>775,870</u>
Total Liabilities	<u>\$ 1,055,865</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, 2011

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.

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. During the year, the County Commission approved a capital lease totaling \$36,239 for the School Department.

Separate financial statements are provided for governmental funds, the proprietary fund (enterprise fund), and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and the major enterprise fund are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund 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.

Separate financial statements are provided for governmental funds, the proprietary fund, and fiduciary funds. Major individual governmental funds and the major 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 fiduciary funds in total are reported in a single column.

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 special revenue fund accounts for transactions of the county’s Highway Department. Local and state gasoline/fuel taxes are the foundational revenues of this fund.

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

Hardeman County reports the following major proprietary fund:

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

Additionally, Hardeman County reports the following fund types:

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

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers 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 funds:

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

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

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

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

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

It is the county's policy that restricted amounts would be reduced first followed by unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Also, it is the county's policy that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

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; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

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 that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either due to/from other funds (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are

reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Advances between funds, as reported in the General Debt Service Fund financial statements, are included in restricted fund balance.

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 2.54 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.

Retainage payable in the primary government's nonmajor governmental funds represents amounts withheld from payments

made on construction contracts pending completion of the projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments in the nonmajor governmental funds.

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 and business-type columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more 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
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. All vacation pay is accrued when incurred in the government-wide financial statements for the county and the discretely presented

School Department. 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 postemployment benefits, are recognized to the extent that the liabilities have matured (come due for payment) each period.

6. Net Assets and Fund Equity

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

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

The government-wide Statement of Net Assets reports \$3,618,280 in restricted net assets, of which \$347,230 is restricted by enabling legislation.

As of June 30, 2011, Hardeman County had \$5,165,000 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 fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the County Commission, the county's highest level of decision-making authority and the Board of Education, the School Department's highest level of decision-making authority.

Assigned Fund Balance – includes amounts that are constrained by the county's intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The county's Budget Committee

and the Board of Education are authorized bodies to make assignments.

Unassigned Fund Balance – the residual classification of the General and General Purpose School funds. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General and General Purpose School funds.

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 County 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. Net Assets Deficit

The Solid Waste Disposal Fund had a deficit in unrestricted net assets of \$1,146,899 at June 30, 2011. This deficit primarily resulted from the recognition of a liability totaling \$2,389,305 for costs associated with closing the county's landfill and monitoring the landfill for 30 years after closure.

C. Cash Shortage – Prior Year

The audit of Hardeman County for the 2007-08 year reported a cash shortage totaling \$3,032.47 in the Solid Waste Disposal Fund. This cash shortage is composed of 1) collections received at the landfill and delivered to the Solid Waste Office totaling \$2,152.97 that were not entered into the accounting system or deposited with the county trustee, and 2) receipts issued by the Solid Waste Office for monthly collections of landfill fees assessed to residents and businesses totaling \$879.50 that were not deposited with the county trustee. Contrina Robertson was sentenced on August 5, 2010, for theft of

property and ordered to pay restitution. As of the date of this report, Contrina Robertson had paid restitution of \$1,700 leaving an unpaid shortage of \$1,332.47.

D. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the Victims Assistance Program major appropriation category (the legal level of control) of the General Fund by \$1,084 and the Interest on Debt - General Government major appropriation category of the General Debt Service Fund by \$225. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balances.

E. Appropriations Exceeded Estimated Available Funds

The budget and subsequent amendments submitted to and approved by the County Commission for the Drug Control Fund resulted in appropriations exceeding estimated available funding by \$28,232.

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; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; 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 Comptroller's Office 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 fair value of the securities on the day of purchase.

Investment Balances. As of June 30, 2011, Hardeman County had the following investments carried at cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Hardeman County and the discretely presented Hardeman County School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>
State Treasurer's Investment Pool	Daily	\$ 1,899,816

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, 2011, 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, 2011, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-10	Increases	Decreases	Balance 6-30-11
Capital Assets Not Depreciated:				
Land	\$ 1,477,092	\$ 0	\$ 0	\$ 1,477,092
Total Capital Assets Not Depreciated	\$ 1,477,092	\$ 0	\$ 0	\$ 1,477,092
Capital Assets Depreciated:				
Buildings and Improvements	\$ 8,783,608	\$ 0	\$ 0	\$ 8,783,608
Infrastructure	16,518,475	1,499,930	0	18,018,405
Other Capital Assets	4,888,785	953,043	(336,180)	5,505,648
Total Capital Assets Depreciated	\$ 30,190,868	\$ 2,452,973	\$ (336,180)	\$ 32,307,661
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 4,390,057	\$ 260,135	\$ 0	\$ 4,650,192
Infrastructure	4,318,768	989,175	0	5,307,943
Other Capital Assets	3,055,781	373,417	(265,368)	3,163,830
Total Accumulated Depreciation	\$ 11,764,606	\$ 1,622,727	\$ (265,368)	\$ 13,121,965
Total Capital Assets Depreciated, Net	\$ 18,426,262	\$ 830,246	\$ (70,812)	\$ 19,185,696
Governmental Activities Capital Assets, Net	\$ 19,903,354	\$ 830,246	\$ (70,812)	\$ 20,662,788

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

Governmental Activities:

General Government	\$ 41,289
Finance	4,345
Administration of Justice	17,352
Public Safety	70,117
Public Health and Welfare	129,262
Social, Cultural, and Recreational Services	9,551
Other Operations	207,101
Highways/Public Works	<u>1,143,710</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 1,622,727</u></u>

Business-type Activities:

	Balance 7-1-10	Increases	Balance 6-30-11
Capital Assets Not Depreciated:			
Land	\$ 219,838	\$ 0	\$ 219,838
Total Capital Assets Not Depreciated	<u>\$ 219,838</u>	<u>\$ 0</u>	<u>\$ 219,838</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 1,984,592	\$ 0	\$ 1,984,592
Machinery and Equipment	640,005	27,148	667,153
Total Capital Assets Depreciated	<u>\$ 2,624,597</u>	<u>\$ 27,148</u>	<u>\$ 2,651,745</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 522,154	\$ 92,523	\$ 614,677
Machinery and Equipment	365,810	49,773	415,583
Total Accumulated Depreciation	<u>\$ 887,964</u>	<u>\$ 142,296</u>	<u>\$ 1,030,260</u>
Total Capital Assets Depreciated, Net	<u>\$ 1,736,633</u>	<u>\$ (115,148)</u>	<u>\$ 1,621,485</u>
Business-type Activities Capital Assets, Net	<u><u>\$ 1,956,471</u></u>	<u><u>\$ (115,148)</u></u>	<u><u>\$ 1,841,323</u></u>

The business-type activities had no decreases in capital assets during the year. Depreciation expense was charged to functions of the business-type activities as follows:

Business-type Activities:

Solid Waste Disposal	\$ 142,296
Total Depreciation Expense - Business-type Activities	<u>\$ 142,296</u>

Discretely Presented Hardeman County School Department

Governmental Activities:

	Balance 7-1-10	Increases	Balance 6-30-11
Capital Assets Not Depreciated:			
Land	\$ 358,116	\$ 0	\$ 358,116
Total Capital Assets Not Depreciated	<u>\$ 358,116</u>	<u>\$ 0</u>	<u>\$ 358,116</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 27,627,937	\$ 233,831	\$ 27,861,768
Other Capital Assets	6,654,201	222,392	6,876,593
Total Capital Assets Depreciated	<u>\$ 34,282,138</u>	<u>\$ 456,223</u>	<u>\$ 34,738,361</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 15,101,821	\$ 765,167	\$ 15,866,988
Other Capital Assets	4,798,024	425,069	5,223,093
Total Accumulated Depreciation	<u>\$ 19,899,845</u>	<u>\$ 1,190,236</u>	<u>\$ 21,090,081</u>
Total Capital Assets Depreciated, Net	<u>\$ 14,382,293</u>	<u>\$ (734,013)</u>	<u>\$ 13,648,280</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,740,409</u>	<u>\$ (734,013)</u>	<u>\$ 14,006,396</u>

The discretely presented Hardeman County School Department School had no decreases in capital assets during the year. Depreciation expense was charged to functions of the School Department as follows:

Governmental Activities:

Instruction	\$ 724,112
Support Services	392,151
Operation of Non-Instructional Services	<u>73,973</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,190,236</u>

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2011, was as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 1,095
Nonmajor governmental	General	8,298
Solid Waste Disposal	"	5,574
Discretely Presented School Department:		
General Purpose School	School Federal Projects	91,767

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

Interfund Loans to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Debt Service	General	\$ 331,966

The balance of \$331,966 due to the General Debt Service Fund from the General Fund resulted from an advance to the General Fund for paving a parking lot at the new Hardeman County Criminal Justice Complex.

Due to/from Primary Government and Component Unit:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Component Unit:		
General Purpose School	Primary Government: General	\$ 100,000

The receivable in the General Purpose School Fund totaling \$4,500 was in transit from the General Fund at June 30, 2011.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2011, consisted of the following amounts:

Primary Government

	Transfers In	
	General Debt Service Fund	Nonmajor Governmental Fund
Transfers Out		
General Fund	\$ 5,436	\$ 0
"	0	25,000
Total	\$ 5,436	\$ 25,000

Discretely Presented Hardeman County School Department

	Transfers In	
	General Purpose School Fund	School Federal Projects Fund
Transfers Out		
School Federal Projects Fund	\$ 206,839	\$ 0
General Purpose School Fund	0	250,000
Total	\$ 206,839	\$ 250,000

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

D. Capital Leases

Discretely Presented Hardeman County School Department

On December 28, 2010, the Hardeman County School Department entered into a three-year lease-purchase agreement for a modular building. The terms of the lease require total lease payments of \$36,239 plus interest of 4.6497 percent. Title to the building transfers to the School Department at the end of the lease. The lease payments are made from the General Purpose School Fund.

The assets acquired through capital leases are as follows:

<u>Asset</u>	<u>Governmental Activities</u>
Buildings and Improvements	\$ 36,239
Less: Accumulated Depreciation	<u>(846)</u>
Total Book Value	<u><u>\$ 35,393</u></u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2011, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2012	\$ 12,965
2013	12,965
2014	<u>6,483</u>
Total Minimum Lease Payments	\$ 32,413
Less: Amount Representing Interest	<u>(1,869)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 30,544</u></u>

E. Long-term Debt

Primary Government

General Obligation Bonds and Notes

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 40 years for bonds and up to 12 years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and notes included in long-term debt as of June 30, 2011, will be retired from the General Debt Service Fund.

General obligation bonds and capital outlay notes outstanding as of June 30, 2011, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-11
General Obligation Bonds	5 %	\$ 189,000	\$ 40,000
General Obligation Bonds - Refunding	3.98	6,370,000	5,165,000
Capital Outlay Notes	4.35 to 4.45	440,000	338,965

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2011, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2012	\$ 319,000	\$ 207,342	\$ 526,342
2013	335,000	194,529	529,529
2014	345,000	181,094	526,094
2015	361,000	167,236	528,236
2016	365,000	153,031	518,031
2017-2021	2,055,000	535,310	2,590,310
2022-2024	1,425,000	114,425	1,539,425
Total	\$ 5,205,000	\$ 1,552,967	\$ 6,757,967

Year Ending June 30	Notes		
	Principal	Interest	Total
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
2017-2020	155,000	17,578	172,578
Total	\$ 338,965	\$ 77,309	\$ 416,274

There is \$950,945 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$191, based on the 2010 federal census. Debt per capita, including bonds and notes, totaled \$203, based on the 2010 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

Governmental Activities:			Compensated
	Bonds	Notes	Absences
	<hr/>		
Balance, July 1, 2010	\$ 5,514,000	\$ 472,113	\$ 210,157
Additions	0	0	252,429
Deductions	(309,000)	(133,148)	(115,120)
	<hr/>		
Balance, June 30, 2011	\$ 5,205,000	\$ 338,965	\$ 347,466
	<hr/>		
Balance Due Within One Year	\$ 319,000	\$ 34,394	\$ 109,076
	<hr/>		

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	\$ 5,891,431
Less: Balance Due Within One Year	(462,470)
Less: Deferred Amount on Refunding	<u>(160,727)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 5,268,234</u>

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

Hardeman County Solid Waste Disposal Fund (enterprise fund)

Capital outlay notes outstanding were issued for original terms of up to five years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. Capital outlay notes outstanding as of June 30, 2011, for business-type activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-11
<hr/>			
Capital Outlay Notes	4.45 %	\$ 278,500	\$ 60,708

The annual requirements to amortize notes outstanding as of June 30, 2011, including interest, are presented in the following table:

Year Ending June 30	Notes		
	Principal	Interest	Total
2012	\$ 60,708	\$ 2,027	\$ 62,735
Total	\$ 60,708	\$ 2,027	\$ 62,735

Changes in Long-term Liabilities

Long-term liability activity for the Solid Waste Disposal Fund (enterprise fund) for the year ended June 30, 2011, was as follows:

Business-type Activities:

	Notes	Landfill Closure/ Postclosure Care Costs	Compensated Absences
Balance, July 1, 2010	\$ 118,802	\$ 2,349,955	\$ 8,468
Additions	0	39,350	14,020
Deductions	(58,094)	0	(3,640)
Balance, June 30, 2011	\$ 60,708	\$ 2,389,305	\$ 18,848
Balance Due Within One Year	\$ 60,708	\$ 3,490	\$ 18,848

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	\$ 2,468,861
Less: Balance Due Within One Year	<u>(83,046)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 2,385,815</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, 2011, was as follows:

Governmental Activities:

	Capital Leases	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2010	\$ 5,916	\$ 172,576	\$ 410,896
Additions	36,239	74,133	292,976
Deductions	(11,611)	(72,298)	(230,009)
Balance, June 30, 2011	<u>\$ 30,544</u>	<u>\$ 174,411</u>	<u>\$ 473,863</u>
Balance Due Within One Year	<u>\$ 11,794</u>	<u>\$ 35,456</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	\$ 678,818
Less: Balance Due Within One Year	<u>(47,250)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 631,568</u>

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

F. On-Behalf Payments

Primary Government

The State of Tennessee pays health insurance premiums for some retired employees on-behalf of Hardeman County. These payments are made by the state to the Medicare Supplement Plan. This plan is administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Medicare Supplement Plan for the year ended June 30, 2011, were \$940. The county has recognized these on-behalf payments as revenues and expenditures in the General Fund.

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 Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended

June 30, 2011, were \$98,482 and \$31,651 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 active employee's health and accident coverage. Retirees are not allowed to continue 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 Local Government Property and Casualty Fund (LGPCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. The county pays an annual premium to the LGPCF for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the LGPCF provides for it to be self-sustaining through member premiums. The LGPCF reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

Discretely Presented Hardeman County School Department

Employee Health Insurance

The School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, *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 Change

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* became effective for the year ended June 30, 2011.

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications include nonspendable, restricted, committed, assigned, and unassigned and are based on the relative strength of the constraints that control how specific amounts can be spent. Also, Statement No. 54 clarified the definitions of the General Fund and the special revenue, capital projects, debt service, and permanent fund types. Hardeman County and the Hardeman County School Department have implemented provisions of this statement in the financial statements of this report for their governmental funds.

C. Subsequent Events

On November 15, 2011, the county's General Debt Service Fund issued a \$600,000 tax anticipation note to the General Fund for temporary operating funds.

On December 21, 2011, Hardeman County entered into a lease-purchase agreement for four Dodge Chargers totaling \$112,464.

D. Contingent Liabilities

Hardeman County is contingently liable for certain Local Government Public Improvement Bonds, Series 2008A and 2008B, of the Hardeman County Industrial Development Board. Hardeman County would become liable for these bonds and the interest thereon in the event of default by the Industrial Development Board. The principal of these public improvement bonds is reflected on the financial statements of the Hardeman County Industrial Development Board. As of June 30, 2011, future principal and interest requirements were \$17,800,000 and \$18,100,470, respectively.

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.

E. Change in Administration

On August 31, 2010, Delphus Hicks, Jr., left the Office of Sheriff and was succeeded by John Doolen.

F. Landfill Closure/Postclosure Care Costs

Hardeman County has active permits on file with the state Department of Environment and Conservation for a sanitary landfill and a bailing/recycling center. The county has provided financial assurances for estimated postclosure liabilities as required by the State of Tennessee. These financial assurances are on file with the Department of Environment and Conservation.

State and federal laws and regulations require the county to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2,389,305 reported as landfill closure and postclosure care liability at June 30, 2011, represents the cumulative amount reported to date based on the use of 88 percent of the estimated capacity of the extension landfill site (\$1,033,030) and for the original landfill site closed in 1999 (\$1,356,275) and represents estimates of the cost to perform all closure and postclosure care in 2011. The county will recognize the remaining estimated costs of closure and postclosure care of \$140,868 on the operating landfill as the remaining estimated capacity is filled. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

G. Joint Ventures

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 \$80,314 to the operations of the library during the year ended June 30, 2011.

The Twenty-fifth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twenty-fifth Judicial District, Fayette, Hardeman, Lauderdale, McNairy

and Tipton counties, and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district.

Hardeman County does not have an equity interest in the above noted joint ventures. Complete financial statements for the Bolivar/Hardeman County Library and the DTF can be obtained from their administrative offices at the following addresses:

Administrative Offices:

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

Office of District Attorney General
Twenty-fifth Judicial District Drug Task Force
121 North Main
Ripley, TN 38063

H. Retirement Commitments

Plan Description

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

plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/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, 2011, was 11.94 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2011, the county's annual pension cost of \$1,010,874 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation using the 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 2.5 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 ten-year period. The 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, 2009, was six years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-11	\$1,010,874	100%	\$0
6-30-10	985,303	100	0
6-30-09	960,292	100	0

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 91.27 percent funded. The actuarial accrued liability for benefits was \$21 million, and the actuarial value of assets was \$19 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$2 million. The covered payroll (annual payroll of active employees covered by the plan) was \$8 million, and the ratio of the UAAL to the covered payroll was 22.67 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

SCHOOL TEACHERS

Plan Description

The 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. Cost of living adjustments (COLA) are 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 SETHEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230, or can be accessed at www.tn.gov/treasury/tcrs/Schools.

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2011, was 9.05 percent of annual covered payroll. The employer contribution requirement for the 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, 2011, 2010, and 2009, were \$1,508,646, \$1,129,703, and \$1,117,415, respectively, equal to the required contributions for each year.

I. Other Postemployment Benefits (OPEB)

Plan Description

The 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 local education employees. In previous fiscal years, prior to reaching age 65, all members had the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. However, as of January 1, 2010, the insurance plan structure was changed, and as a result all members now have the option of choosing between the standard or partnership preferred provider organization (PPO) 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://tn.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 plan is 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 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, 2011, the discretely presented Hardeman County School Department contributed \$230,009, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<hr/>
ARC	\$ 292,000
Interest on the NPO	18,490
Adjustment to the ARC	(17,514)
Annual OPEB cost	<hr/> \$ 292,976
Less: Amount of contribution	(230,009)
Increase/decrease in NPO	<hr/> \$ 62,967
Net OPEB obligation, 7-1-10	<hr/> 410,896
Net OPEB obligation, 6-30-11	<hr/> <hr/> \$ 473,863

Fiscal Year End	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-09	Local Education Group	\$ 331,891	43 %	\$ 368,643
6-30-10	"	280,876	85	410,896
6-30-11	"	292,976	79	473,863

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010, was as follows:

	<u>Local Education Group Plan</u>
Actuarial valuation date	7-1-10
Actuarial accrued liability (AAL)	\$ 2,947,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 2,947,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 21,380,905
UAAL as a % of covered payroll	14%

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

Actuarial Methods and Assumptions

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

In the July 1, 2010, actuarial valuation, the projected unit credit actuarial cost method was used and the actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of ten percent for fiscal year 2011. The trend will decrease to 9.5 percent in fiscal year 2012 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. 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.

J. 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 the 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 \$10,000 for the Office of County Mayor, Highway Department, and School Department.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit F-1

Hardeman County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,451,261	\$ 3,797,000	\$ 3,797,000	\$ (345,739)
Licenses and Permits	28,546	18,000	18,000	10,546
Fines, Forfeitures, and Penalties	132,410	159,000	159,000	(26,590)
Charges for Current Services	1,420,583	1,448,900	1,448,900	(28,317)
Other Local Revenues	287,857	350,500	350,500	(62,643)
Fees Received from County Officials	860,588	1,241,000	1,241,000	(380,412)
State of Tennessee	1,654,739	2,492,685	2,493,625	(838,886)
Federal Government	300,876	107,000	107,000	193,876
Other Governments and Citizens Groups	29,804	47,500	61,850	(32,046)
Total Revenues	\$ 8,166,664	\$ 9,661,585	\$ 9,676,875	\$ (1,510,211)
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 14,610	\$ 16,500	\$ 16,500	\$ 1,890
Board of Equalization	805	1,400	1,400	595
Beer Board	1,400	2,100	2,100	700
Budget and Finance Committee	3,605	4,000	4,000	395
Other Boards and Committees	4,550	9,500	9,500	4,950
County Mayor/Executive	166,534	178,578	178,578	12,044
County Attorney	15,006	17,121	17,121	2,115
Election Commission	188,291	190,421	204,021	15,730
Register of Deeds	137,332	152,509	154,082	16,750
Development	60,932	65,190	65,190	4,258
County Buildings	158,543	250,181	250,181	91,638
Other General Administration	58,301	30,000	58,301	0
Preservation of Records	4,629	13,000	13,000	8,371
<u>Finance</u>				
Accounting and Budgeting	18,000	18,200	18,200	200
Purchasing	3,600	3,600	3,600	0
Property Assessor's Office	187,765	202,229	202,229	14,464
Reappraisal Program	30,351	37,514	37,514	7,163
County Trustee's Office	40,264	154,534	172,861	132,597
County Clerk's Office	20,250	196,614	196,614	176,364
<u>Administration of Justice</u>				
Circuit Court	278,881	306,174	306,174	27,293
General Sessions Court	110,082	110,441	110,441	359
Drug Court	4,144	10,000	10,000	5,856
Chancery Court	152,433	164,825	164,825	12,392
Juvenile Court	38,486	44,116	44,116	5,630
Victims Assistance Programs	9,084	8,000	8,000	(1,084)
<u>Public Safety</u>				
Sheriff's Department	1,392,321	1,445,364	1,471,214	78,893
Workhouse	1,003,711	1,464,150	1,464,150	460,439
Juvenile Services	33,815	35,616	35,616	1,801
Fire Prevention and Control	61,900	70,500	70,500	8,600
Civil Defense	18,116	71,730	71,730	53,614
County Coroner/Medical Examiner	38,674	40,000	40,000	1,326

(Continued)

Exhibit F-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare</u>				
Local Health Center	\$ 81,638	\$ 84,917	\$ 84,917	\$ 3,279
Rabies and Animal Control	58,907	58,979	59,748	841
Ambulance/Emergency Medical Services	1,627,851	1,378,457	1,630,342	2,491
Dental Health Program	202,112	445,400	445,400	243,288
Alcohol and Drug Programs	10,000	12,000	12,000	2,000
Crippled Children Services	1,779	1,779	1,779	0
Other Local Health Services	6,816	8,816	8,816	2,000
Regional Mental Health Center	20,000	20,000	20,000	0
Other Local Welfare Services	5,000	5,200	5,200	200
Sanitation Education/Information	31,454	31,645	31,645	191
Waste Pickup	248,983	249,181	249,181	198
Convenience Centers	299,216	310,499	316,073	16,857
<u>Social, Cultural, and Recreational Services</u>				
Libraries	87,464	89,650	89,650	2,186
Other Social, Cultural, and Recreational	3,000	3,000	3,000	0
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	75,604	99,760	99,760	24,156
Forest Service	2,000	2,000	2,000	0
Soil Conservation	32,692	35,012	35,012	2,320
<u>Other Operations</u>				
Industrial Development	57,330	71,035	71,035	13,705
Housing and Urban Development	41,587	30,876	41,587	0
Airport	112,338	875,000	875,000	762,662
Veterans' Services	7,832	8,310	8,310	478
Contributions to Other Agencies	23,638	33,373	33,373	9,735
Employee Benefits	1,652,317	1,505,950	1,654,851	2,534
Miscellaneous	523,546	369,133	573,383	49,837
<u>Capital Projects</u>				
Administration of Justice Projects	604,425	0	616,451	12,026
Total Expenditures	\$ 10,073,944	\$ 11,044,079	\$ 12,370,271	\$ 2,296,327
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (1,907,280)	\$ (1,382,494)	\$ (2,693,396)	\$ 786,116
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 68,560	\$ 5,000	\$ 72,710	\$ (4,150)
Transfers Out	(30,436)	(10,000)	(35,000)	4,564
Total Other Financing Sources (Uses)	\$ 38,124	\$ (5,000)	\$ 37,710	\$ 414
Net Change in Fund Balance				
Fund Balance, July 1, 2010	\$ (1,869,156)	\$ (1,387,494)	\$ (2,655,686)	\$ 786,530
	3,338,625	2,725,347	2,725,347	613,278
Fund Balance, June 30, 2011				
	\$ 1,469,469	\$ 1,337,853	\$ 69,661	\$ 1,399,808

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 782,321	\$ 825,000	\$ 825,000	\$ (42,679)
Charges for Current Services	0	100	100	(100)
Other Local Revenues	36,146	11,500	11,500	24,646
State of Tennessee	2,049,632	2,238,596	2,238,596	(188,964)
Federal Government	326,699	0	0	326,699
Total Revenues	\$ 3,194,798	\$ 3,075,196	\$ 3,075,196	\$ 119,602
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 197,177	\$ 212,317	\$ 212,317	\$ 15,140
Highway and Bridge Maintenance	859,919	1,131,987	1,056,987	197,068
Operation and Maintenance of Equipment	536,234	491,140	566,140	29,906
Asphalt Plant Operations	570,666	614,584	656,536	85,870
Other Charges	98,331	105,100	105,100	6,769
Employee Benefits	374,931	480,400	480,400	105,469
Capital Outlay	530,929	554,674	804,674	273,745
<u>Principal on Debt</u>				
Highways and Streets	103,937	0	103,937	0
<u>Interest on Debt</u>				
Highways and Streets	4,111	0	4,111	0
Total Expenditures	\$ 3,276,235	\$ 3,590,202	\$ 3,990,202	\$ 713,967
Excess (Deficiency) of Revenues Over Expenditures	\$ (81,437)	\$ (515,006)	\$ (915,006)	\$ 833,569
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 12,218	\$ 3,000	\$ 3,000	\$ 9,218
Total Other Financing Sources (Uses)	\$ 12,218	\$ 3,000	\$ 3,000	\$ 9,218
Net Change in Fund Balance	\$ (69,219)	\$ (512,006)	\$ (912,006)	\$ 842,787
Fund Balance, July 1, 2010	1,192,684	955,566	955,566	237,118
Fund Balance, June 30, 2011	\$ 1,123,465	\$ 443,560	\$ 43,560	\$ 1,079,905

Exhibit F-3

Hardeman County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Hardeman County School Department
June 30, 2011

(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)
7-1-07	\$ 17,373	\$ 18,477	\$ 1,104	94.03 %	\$ 7,617	14.49 %
7-1-09	19,053	20,875	1,822	91.27	8,036	22.67

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 went into effect during the 2007 valuation; therefore, only the two most recent valuations are presented.

Exhibit F-4

Hardeman County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Hardeman County School Department
June 30, 2011

(Dollar amounts in thousands)

Plan	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
			Accrued Liability (AAL) (b)	Liability (AAL) (b)				
Local Education Group	7-1-07	\$ 0	\$ 3,579	\$ 3,579	0 %	\$ 15,395	23 %	
"	7-1-09	0	2,845	2,845	0	20,742	14	
"	7-1-10	0	2,947	2,947	0	21,381	14	

HARDEMAN COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2011

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

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

B. EXPENDITURES EXCEEDED APPROPRIATIONS

General Fund expenditures exceeded appropriations approved by the County Commission in the Victims Assistance Programs major appropriation category (the legal level of control) by \$1,084. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balance.

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

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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 and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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

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

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

Exhibit G-1

Hardeman County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2011

	Special Revenue Funds			Capital Projects Funds				Total Nonmajor Governmental Funds
	Drug Control	Constituti- onal Officers - Fees	Total	General Capital Projects	Community Development/ Industrial Park	Other Capital Projects	Total	
\$	0	75,190	\$ 75,190	0	0	0	0	\$ 75,190
	90,971	0	90,971	645,202	693	39,768	685,663	776,634
	0	184	184	0	0	0	0	184
	0	0	0	0	0	8,298	8,298	8,298
\$	90,971	75,374	166,345	645,202	693	48,066	693,961	860,306

ASSETS

Cash
 Equity in Pooled Cash and Investments
 Accounts Receivable
 Due from Other Funds

Total Assets

LIABILITIES AND FUND BALANCES

Liabilities

Accounts Payable
 Retainage Payable
 Due to Other Funds
 Total Liabilities

Fund Balances

Restricted:
 Restricted for Public Safety
 Restricted for Capital Projects
 Committed:
 Committed for Finance
 Committed for Capital Projects
 Total Fund Balances

Total Liabilities and Fund Balances

\$	207	0	0	207	0	0	0	0	207
	0	0	0	0	0	47,039	47,039	47,039	47,039
	0	1,095	1,095	0	0	0	0	1,095	1,095
\$	207	1,095	1,302	0	0	47,039	47,039	48,341	48,341
\$	90,764	0	90,764	0	0	0	0	90,764	90,764
	0	0	0	0	693	1,027	1,720	1,720	1,720
	0	74,279	74,279	0	0	0	0	74,279	74,279
\$	90,764	74,279	165,043	645,202	693	1,027	646,922	811,965	811,965
\$	90,971	75,374	166,345	645,202	693	48,066	693,961	860,306	860,306

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, 2011

	Special Revenue Funds			Capital Projects Funds				Total Nonmajor Governmental Funds
	Drug Control	Constituti- onal Officers - Fees	Total	General Capital Projects	Community Development/ Industrial Park	Other Capital Projects	Total	
<u>Revenues</u>								
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 782,321	\$ 0	\$ 0	\$ 782,321	\$ 782,321
Fines, Forfeitures, and Penalties	30,432	0	30,432	0	0	0	0	30,432
Charges for Current Services	0	290,219	290,219	0	0	0	0	290,219
Other Local Revenues	0	0	0	0	0	274	274	274
Federal Government	0	0	0	0	0	80,821	80,821	80,821
Total Revenues	\$ 30,432	\$ 290,219	\$ 320,651	\$ 782,321	\$ 0	\$ 81,095	\$ 863,416	\$ 1,184,067
<u>Expenditures</u>								
Current:								
Finance	\$ 0	\$ 289,623	\$ 289,623	\$ 0	\$ 0	\$ 0	\$ 0	\$ 289,623
Administration of Justice	0	600	600	0	0	0	0	600
Public Safety	65,974	0	65,974	0	0	0	0	65,974
Capital Projects	0	0	0	936,972	0	9,580	946,552	946,552
Total Expenditures	\$ 65,974	\$ 290,223	\$ 356,197	\$ 936,972	\$ 0	\$ 9,580	\$ 946,552	\$ 1,302,749
Excess (Deficiency) of Revenues Over Expenditures	\$ (35,542)	\$ (4)	\$ (35,546)	\$ (154,651)	\$ 0	\$ 71,515	\$ (83,136)	\$ (118,682)
<u>Other Financing Sources (Uses)</u>								
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25,000	\$ 25,000	\$ 25,000
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25,000	\$ 25,000	\$ 25,000
Net Change in Fund Balances	\$ (35,542)	\$ (4)	\$ (35,546)	\$ (154,651)	\$ 0	\$ 96,515	\$ (58,136)	\$ (93,682)
Fund Balance, July 1, 2010	126,306	74,283	200,589	799,853	693	(95,488)	705,058	905,647
Fund Balance, June 30, 2011	\$ 90,764	\$ 74,279	\$ 165,043	\$ 645,202	\$ 693	\$ 1,027	\$ 646,922	\$ 811,965

Exhibit G-3

Hardeman County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Drug Control Fund
For the Year Ended June 30, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 30,432 \$	0 \$	30,432 \$	38,756 \$	38,756 \$	(8,324)
State of Tennessee	0	0	0	1,828	1,828	(1,828)
Total Revenues	\$ 30,432 \$	0 \$	30,432 \$	40,584 \$	40,584 \$	(10,152)
<u>Expenditures</u>						
<u>Public Safety</u>						
Drug Enforcement	\$ 65,974 \$	(1,194) \$	64,780 \$	90,500 \$	90,500 \$	25,720
Total Expenditures	\$ 65,974 \$	(1,194) \$	64,780 \$	90,500 \$	90,500 \$	25,720
Excess (Deficiency) of Revenues Over Expenditures	\$ (35,542) \$	1,194 \$	(34,348) \$	(49,916) \$	(49,916) \$	15,568
Net Change in Fund Balance Fund Balance, July 1, 2010	\$ (35,542) \$	1,194 \$	(34,348) \$	(49,916) \$	(49,916) \$	15,568
	126,306	(1,194)	125,112	21,684	21,684	103,428
Fund Balance, June 30, 2011	\$ 90,764 \$	0 \$	90,764 \$	(28,232) \$	(28,232) \$	118,996

Major Governmental Fund

General Debt Service Fund

The General Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 35,460	\$ 34,600	\$ 34,600	\$ 860
Other Governments and Citizens Groups	517,757	0	0	517,757
Total Revenues	<u>\$ 553,217</u>	<u>\$ 34,600</u>	<u>\$ 34,600</u>	<u>\$ 518,617</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 38,211	\$ 38,211	\$ 38,211	\$ 0
Education	300,000	300,000	300,000	0
<u>Interest on Debt</u>				
General Government	18,581	18,356	18,356	(225)
Education	217,507	217,507	217,507	0
<u>Other Debt Service</u>				
General Government	700	2,500	2,500	1,800
Education	250	3,000	3,000	2,750
Total Expenditures	<u>\$ 575,249</u>	<u>\$ 579,574</u>	<u>\$ 579,574</u>	<u>\$ 4,325</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (22,032)</u>	<u>\$ (544,974)</u>	<u>\$ (544,974)</u>	<u>\$ 522,942</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 5,436	\$ 522,944	\$ 522,944	\$ (517,508)
Total Other Financing Sources (Uses)	<u>\$ 5,436</u>	<u>\$ 522,944</u>	<u>\$ 522,944</u>	<u>\$ (517,508)</u>
Net Change in Fund Balance	\$ (16,596)	\$ (22,030)	\$ (22,030)	\$ 5,434
Fund Balance, July 1, 2010	<u>967,541</u>	<u>967,619</u>	<u>967,619</u>	<u>(78)</u>
Fund Balance, June 30, 2011	<u><u>\$ 950,945</u></u>	<u><u>\$ 945,589</u></u>	<u><u>\$ 945,589</u></u>	<u><u>\$ 5,356</u></u>

Fiduciary Funds

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

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

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

Exhibit I-1

Hardeman County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2011

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 775,346	\$ 775,346
Accounts Receivable	0	524	524
Due from Other Governments	279,995	0	279,995
Total Assets	<u>\$ 279,995</u>	<u>\$ 775,870</u>	<u>\$ 1,055,865</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 279,995	\$ 0	\$ 279,995
Due to Litigants, Heirs, and Others	0	775,870	775,870
Total Liabilities	<u>\$ 279,995</u>	<u>\$ 775,870</u>	<u>\$ 1,055,865</u>

Exhibit I-2

Hardeman County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2011

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,527,707	\$ 1,527,707	\$ 0
Due from Other Governments	238,471	279,995	238,471	279,995
Total Assets	\$ 238,471	\$ 1,807,702	\$ 1,766,178	\$ 279,995
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 238,471	\$ 1,807,702	\$ 1,766,178	\$ 279,995
Total Liabilities	\$ 238,471	\$ 1,807,702	\$ 1,766,178	\$ 279,995
 <u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 579,094	\$ 5,722,908	\$ 5,526,656	\$ 775,346
Accounts Receivable	0	524	0	524
Cash Shortage	1,296	0	1,296	0
Total Assets	\$ 580,390	\$ 5,723,432	\$ 5,527,952	\$ 775,870
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 580,390	\$ 5,723,432	\$ 5,527,952	\$ 775,870
Total Liabilities	\$ 580,390	\$ 5,723,432	\$ 5,527,952	\$ 775,870
 <u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 579,094	\$ 5,722,908	\$ 5,526,656	\$ 775,346
Equity in Pooled Cash and Investments	0	1,527,707	1,527,707	0
Accounts Receivable	0	524	0	524
Due from Other Governments	238,471	279,995	238,471	279,995
Cash Shortage	1,296	0	1,296	0
Total Assets	\$ 818,861	\$ 7,531,134	\$ 7,294,130	\$ 1,055,865
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 238,471	\$ 1,807,702	\$ 1,766,178	\$ 279,995
Due to Litigants, Heirs, and Others	580,390	5,723,432	5,527,952	775,870
Total Liabilities	\$ 818,861	\$ 7,531,134	\$ 7,294,130	\$ 1,055,865

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 and two Special Revenue Funds.

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.

Exhibit J-1

Hardeman County, Tennessee
Statement of Activities
Discretely Presented Hardeman County School Department
For the Year Ended June 30, 2011

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions Capital Grants and Contributions	
Governmental Activities:				
Instruction	\$ 21,474,622	\$ 2,100	\$ 2,934,111	\$ 9,750
Support Services	11,605,736	131,036	983,181	100,000
Operation of Non-Instructional Services	3,587,998	391,429	1,917,562	0
Interest on Long-term Debt	788	0	0	0
Other Debt Service	517,757	0	0	(788)
				(517,757)
Total Governmental Activities	\$ 37,186,901	\$ 524,565	\$ 5,834,854	\$ 109,750
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 5,555,945
Local Option Sales Tax				2,151,796
Other Local Taxes				1,962
Grants and Contributions Not Restricted for Specific Programs				22,814,218
Unrestricted Investment Income				2,582
Miscellaneous				74,659
Total General Revenues				\$ 30,601,162
Change in Net Assets				\$ (116,570)
Net Assets, July 1, 2010				21,523,302
Net Assets, June 30, 2011				\$ 21,406,732

Exhibit J-2

Hardeman County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Hardeman County School Department
June 30, 2011

	Major Funds		Nonmajor	Total
	General	School	Fund	Govern-
	Purpose	Federal	Central	mental
	School	Projects	Cafeteria	Funds
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 9	\$ 9
Equity in Pooled Cash and Investments	4,546,573	486,124	596,444	5,629,141
Accounts Receivable	33,818	0	0	33,818
Due from Other Governments	1,707,793	435,942	10,584	2,154,319
Due from Other Funds	91,767	0	0	91,767
Due from Primary Government	100,000	0	0	100,000
Property Taxes Receivable	5,405,583	0	0	5,405,583
Allowance for Uncollectible Property Taxes	(264,885)	0	0	(264,885)
Total Assets	\$ 11,620,649	\$ 922,066	\$ 607,037	\$ 13,149,752
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 22,897	\$ 60,801	\$ 440	\$ 84,138
Payroll Deductions Payable	11,384	120	0	11,504
Due to Other Funds	0	91,767	0	91,767
Deferred Revenue - Current Property Taxes	4,883,189	0	0	4,883,189
Deferred Revenue - Delinquent Property Taxes	231,593	0	0	231,593
Other Deferred Revenues	195,306	15,158	0	210,464
Total Liabilities	\$ 5,344,369	\$ 167,846	\$ 440	\$ 5,512,655
<u>Fund Balances</u>				
Restricted:				
Restricted for Education	\$ 37,982	\$ 14,765	\$ 0	\$ 52,747
Restricted for Operation of Non-Instructional Services	0	0	606,597	606,597
Assigned:				
Assigned for Education	78,966	739,455	0	818,421
Unassigned	6,159,332	0	0	6,159,332
Total Fund Balances	\$ 6,276,280	\$ 754,220	\$ 606,597	\$ 7,637,097
Total Liabilities and Fund Balances	\$ 11,620,649	\$ 922,066	\$ 607,037	\$ 13,149,752

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, 2011

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)		\$	7,637,097
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	358,116	
Add: buildings and improvements net of accumulated depreciation		11,994,780	
Add: other capital assets net of accumulated depreciation		<u>1,653,500</u>	14,006,396
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: capital leases payable	\$	(30,544)	
Less: other postemployment benefits liability		(473,863)	
Less: compensated absences payable		<u>(174,411)</u>	(678,818)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>442,057</u>
Net assets of governmental activities (Exhibit A)			<u>\$ 21,406,732</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, 2011

	Major Funds		Nonmajor	Total Governmental Funds
	General	School	Fund	
	Purpose School	Federal Projects	Central Cafeteria	
<u>Revenues</u>				
Local Taxes	\$ 7,694,015	\$ 0	\$ 0	\$ 7,694,015
Licenses and Permits	3,439	0	0	3,439
Charges for Current Services	76,093	0	424,215	500,308
Other Local Revenues	149,583	0	5,343	154,926
State of Tennessee	22,141,294	0	68,808	22,210,102
Federal Government	112,279	4,417,112	1,848,754	6,378,145
Other Governments and Citizens Groups	100,000	0	0	100,000
Total Revenues	<u>\$ 30,276,703</u>	<u>\$ 4,417,112</u>	<u>\$ 2,347,120</u>	<u>\$ 37,040,935</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 17,494,827	\$ 3,157,336	\$ 0	\$ 20,652,163
Support Services	10,376,661	1,143,300	0	11,519,961
Operation of Non-Instructional Services	1,126,237	0	2,349,769	3,476,006
Capital Outlay	276,220	0	0	276,220
Debt Service:				
Principal on Debt	11,611	0	0	11,611
Interest on Debt	788	0	0	788
Other Debt Service	517,757	0	0	517,757
Total Expenditures	<u>\$ 29,804,101</u>	<u>\$ 4,300,636</u>	<u>\$ 2,349,769</u>	<u>\$ 36,454,506</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 472,602</u>	<u>\$ 116,476</u>	<u>\$ (2,649)</u>	<u>\$ 586,429</u>
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 36,239	\$ 0	\$ 0	\$ 36,239
Insurance Recovery	54,809	0	0	54,809
Transfers In	206,839	250,000	0	456,839
Transfers Out	(250,000)	(206,839)	0	(456,839)
Total Other Financing Sources (Uses)	<u>\$ 47,887</u>	<u>\$ 43,161</u>	<u>\$ 0</u>	<u>\$ 91,048</u>
Net Change in Fund Balances	\$ 520,489	\$ 159,637	\$ (2,649)	\$ 677,477
Fund Balance, July 1, 2010	<u>5,755,791</u>	<u>594,583</u>	<u>609,246</u>	<u>6,959,620</u>
Fund Balance, June 30, 2011	<u>\$ 6,276,280</u>	<u>\$ 754,220</u>	<u>\$ 606,597</u>	<u>\$ 7,637,097</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, 2011

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)		\$ 677,477
<p>(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:</p>		
Add: capital assets purchased in the current period	\$ 456,223	
Less: current-year depreciation expense	<u>(1,190,236)</u>	(734,013)
<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, 2011	\$ 442,057	
Less: deferred delinquent property taxes and other deferred June 30, 2010	<u>(412,661)</u>	29,396
<p>(3) The issuance of long-term debt (e.g. 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.</p>		
Less: capital lease proceeds	\$ (36,239)	
Add: principal payments on leases	<u>11,611</u>	(24,628)
<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 other postemployment benefits liability	\$ (62,967)	
Change in compensated absences payable	<u>(1,835)</u>	<u>(64,802)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (116,570)</u>

Exhibit J-6

Hardeman County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Hardeman County School Department
General Purpose School Fund
For the Year Ended June 30, 2011

	Actual (GAAP Basis)	Less:		Add:	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Encumbrances 7/1/2010	Encumbrances 6/30/2011			Original	Final	
<u>Revenues</u>								
Local Taxes	\$ 7,694,015	\$ 0	\$ 0	\$ 7,694,015	\$ 7,560,922	\$ 7,560,922	\$ 133,093	
Licenses and Permits	3,439	0	0	3,439	2,952	2,952	487	
Charges for Current Services	76,093	0	0	76,093	113,791	113,791	(37,698)	
Other Local Revenues	149,583	0	0	149,583	106,313	104,813	44,770	
State of Tennessee	22,141,294	0	0	22,141,294	22,022,283	22,242,828	(101,534)	
Federal Government	112,279	0	0	112,279	0	1,118,371	(1,006,092)	
Other Governments and Citizens Groups	100,000	0	0	100,000	0	100,000	0	
Total Revenues	\$ 30,276,703	\$ 0	\$ 0	\$ 30,276,703	\$ 29,806,261	\$ 31,243,677	\$ (966,974)	

	Actual (GAAP Basis)	Less:		Add:	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Encumbrances 7/1/2010	Encumbrances 6/30/2011			Original	Final	
<u>Expenditures</u>								
<u>Instruction</u>								
Regular Instruction Program	\$ 13,795,273	\$ (55,644)	\$ 13,731	\$ 13,753,360	\$ 14,491,701	\$ 14,047,422	\$ 294,062	
Alternative Instruction Program	219,793	0	0	219,793	172,950	220,077	284	
Special Education Program	2,278,903	(3,626)	0	2,275,277	2,309,592	2,301,117	25,840	
Vocational Education Program	1,200,858	0	0	1,200,858	1,315,268	1,245,772	44,914	
<u>Support Services</u>								
Attendance	125,410	(11)	0	125,399	129,214	127,809	2,410	
Health Services	285,368	(525)	520	285,363	286,393	288,870	3,507	
Other Student Support	894,385	(3,521)	0	890,864	938,859	938,860	47,996	
Regular Instruction Program	1,435,509	(337)	813	1,435,985	1,429,524	1,449,109	13,124	
Alternative Instruction Program	96,268	0	0	96,268	96,572	96,572	304	
Special Education Program	387,158	(886)	0	386,272	386,193	406,693	20,421	
Vocational Education Program	90,492	0	0	90,492	89,264	92,389	1,897	
Other Programs	130,133	0	0	130,133	0	130,133	0	

(Continued)

Exhibit J-6

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

	Actual (GAAP Basis)	Less:		Add:	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Encumbrances 7/1/2010	Encumbrances 6/30/2011			Original	Final	
<u>Expenditures (Cont.)</u>								
<u>Support Services (Cont.)</u>								
Board of Education	\$ 551,832	\$ 0	\$ 0	\$ 551,832	\$ 413,239	\$ 551,837	\$ 5	
Director of Schools	323,635	(26,613)	0	297,022	293,084	305,084	8,062	
Office of the Principal	1,594,783	0	0	1,594,783	1,569,251	1,620,251	25,468	
Fiscal Services	156,896	0	0	156,896	162,817	162,817	5,921	
Human Services/Personnel	131,636	0	0	131,636	140,738	140,738	9,102	
Operation of Plant	1,825,503	0	0	1,825,503	1,772,029	1,844,529	19,026	
Maintenance of Plant	784,011	(7,660)	1,014	777,365	689,755	783,499	6,134	
Transportation	1,354,156	(966)	0	1,353,190	1,326,024	1,376,111	22,921	
Central and Other	209,486	(430)	375	209,431	204,503	212,018	2,587	
<u>Operation of Non-Instructional Services</u>								
Community Services	132,833	0	576	133,409	137,713	137,713	4,304	
Early Childhood Education	993,404	(45,472)	61,937	1,009,869	1,009,971	1,011,471	1,602	
<u>Capital Outlay</u>								
Regular Capital Outlay	276,220	(68,769)	0	207,451	100,000	1,843,024	1,635,573	
<u>Principal on Debt</u>								
Education	11,611	0	0	11,611	317,117	11,629	18	
Interest on Debt								
Education	788	0	0	788	217,507	788	0	
<u>Other Debt Service</u>								
Education	517,757	0	0	517,757	0	517,757	0	
Total Expenditures	\$ 29,804,101	\$ (214,460)	\$ 78,966	\$ 29,668,607	\$ 29,999,278	\$ 31,864,089	\$ 2,195,482	
Excess (Deficiency) of Revenues Over Expenditures	\$ 472,602	\$ 214,460	\$ (78,966)	\$ 608,096	\$ (193,017)	\$ (620,412)	\$ 1,228,508	

(Continued)

Exhibit J-6

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 500,000	\$ (500,000)	
Capital Leases Issued	36,239	0	0	36,239	0	36,239	
Insurance Recovery	54,809	0	0	54,809	0	6,365	
Transfers In	206,839	0	0	206,839	208,920	(2,081)	
Transfers Out	(250,000)	0	0	(250,000)	0	0	
Total Other Financing Sources (Uses)	\$ 47,887	\$ 0	\$ 0	\$ 47,887	\$ 208,920	\$ (459,477)	
Net Change in Fund Balance	\$ 520,489	\$ 214,460	\$ (78,966)	\$ 655,983	\$ 15,903	\$ 769,031	
Fund Balance, July 1, 2010	5,755,791	(214,460)	0	5,541,331	2,343,448	3,197,883	
Fund Balance, June 30, 2011	\$ 6,276,280	\$ 0	\$ (78,966)	\$ 6,197,314	\$ 2,359,351	\$ 3,966,914	

Exhibit J-7

Hardeman County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Hardeman County School Department
School Federal Projects Fund
For the Year Ended June 30, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 4,417,112 \$	0 \$	0 \$	4,417,112 \$	4,922,698 \$	4,828,527 \$	(411,415)
Total Revenues	\$ 4,417,112 \$	0 \$	0 \$	4,417,112 \$	4,922,698 \$	4,828,527 \$	(411,415)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 2,317,128 \$	(17,119) \$	2,417 \$	2,302,426 \$	2,458,471 \$	2,429,466 \$	127,040
Alternative Instruction Program	0	0	0	0	2,652	0	0
Special Education Program	786,652	(160)	566	787,058	1,083,056	982,730	195,672
Vocational Education Program	53,556	0	0	53,556	53,202	53,556	0
<u>Support Services</u>							
Health Services	7,063	0	0	7,063	30,440	16,566	9,503
Other Student Support	20,730	0	0	20,730	23,076	20,730	0
Regular Instruction Program	740,254	(333)	11,782	751,703	989,988	878,292	126,589
Special Education Program	36,358	0	0	36,358	95,657	50,528	14,170
Vocational Education Program	1,718	0	0	1,718	2,840	1,718	0
Office of the Principal	15,238	0	0	15,238	9,412	15,241	3
Transportation	321,939	0	0	321,939	168,046	346,045	24,106
Total Expenditures	\$ 4,300,636 \$	(17,612) \$	14,765 \$	4,297,789 \$	4,916,840 \$	4,794,872 \$	497,083
Excess (Deficiency) of Revenues Over Expenditures	\$ 116,476 \$	17,612 \$	(14,765) \$	119,323 \$	5,858 \$	33,655 \$	85,668
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 250,000 \$	0 \$	0 \$	250,000 \$	113,454 \$	113,454 \$	136,546

(Continued)

Exhibit J-7

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses) (Cont.)</u>							
Transfers Out	\$ (206,839)	0 \$	0 \$	(206,839) \$	(222,996) \$	(330,552) \$	123,713
Total Other Financing Sources (Uses)	\$ 43,161	0 \$	0 \$	43,161 \$	(109,542) \$	(217,098) \$	260,259
Net Change in Fund Balance	\$ 159,637	17,612 \$	(14,765) \$	162,484 \$	(103,684) \$	(183,443) \$	345,927
Fund Balance, July 1, 2010	594,583	(17,612)	0	576,971	594,583	594,583	(17,612)
Fund Balance, June 30, 2011	\$ 754,220	0 \$	(14,765) \$	739,455 \$	490,899 \$	411,140 \$	328,315

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
 Central Cafeteria Fund
 For the Year Ended June 30, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Charges for Current Services	\$ 424,215	\$ 0	\$ 0	\$ 424,215	\$ 452,350	\$ 452,350	\$ (28,135)
Other Local Revenues	5,343	0	0	5,343	3,500	3,500	1,843
State of Tennessee	68,808	0	0	68,808	67,400	23,000	45,808
Federal Government	1,848,754	0	0	1,848,754	1,764,000	1,951,859	(103,105)
Total Revenues	\$ 2,347,120	\$ 0	\$ 0	\$ 2,347,120	\$ 2,287,250	\$ 2,430,709	\$ (83,589)
Expenditures							
Operation of Non-Instructional Services							
Food Service	\$ 2,349,769	\$ (5,784)	\$ 290	\$ 2,344,275	\$ 2,248,851	\$ 2,345,881	\$ 1,606
Total Expenditures	\$ 2,349,769	\$ (5,784)	\$ 290	\$ 2,344,275	\$ 2,248,851	\$ 2,345,881	\$ 1,606
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,649)	\$ 5,784	\$ (290)	\$ 2,845	\$ 38,399	\$ 84,828	\$ (81,983)
Net Change in Fund Balance Fund Balance, July 1, 2010	\$ (2,649)	\$ 5,784	\$ (290)	\$ 2,845	\$ 38,399	\$ 84,828	\$ (81,983)
	609,246	(5,784)	0	603,462	0	0	603,462
Fund Balance, June 30, 2011	\$ 606,597	\$ 0	\$ (290)	\$ 606,307	\$ 38,399	\$ 84,828	\$ 521,479

MISCELLANEOUS SCHEDULES

Exhibit K-1

Hardeman County, Tennessee
 Schedule of Changes in Long-term Notes, Capital Leases, and Bonds
 Primary Government and Discretely Presented Hardeman County School Department
 For the Year Ended June 30, 2011

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-10	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-11
<u>PRIMARY GOVERNMENT</u>								
<u>GOVERNMENTAL ACTIVITIES</u>								
<u>NOTES PAYABLE</u>								
Payable through General Debt Service Fund								
Convenience Centers	\$ 50,000	4.35 %	5-19-04	5-18-16	\$ 28,176	0 \$	4,211 \$	23,965
Airport Hangars	390,000	4.45	12-27-07	6-1-20	340,000	0	25,000	315,000
Total Payable through General Debt Service Fund					\$ 368,176	0 \$	29,211 \$	338,965
Payable through Highway/Public Works Fund								
Asphalt Plant	300,000	3.99	2-28-08	2-29-11	103,937	0 \$	103,937	0
Total Payable through Highway/Public Works Fund					\$ 103,937	0 \$	103,937	0
Total Notes Payable					\$ 472,113	0 \$	133,148	338,965
<u>BONDS PAYABLE</u>								
Payable through General Debt Service Fund								
Hardeman County Industrial, Fm.H.A.	189,000	5	1-1-1975	1-1-15	49,000	0 \$	9,000	40,000
School Refunding Series 2005	6,370,000	3.98	12-6-05	4-1-24	5,465,000	0	300,000	5,165,000
Total Bonds Payable					\$ 5,514,000	0 \$	309,000	5,205,000
<u>BUSINESS-TYPE ACTIVITIES</u>								
<u>NOTE PAYABLE</u>								
Payable through Solid Waste Disposal Fund								
Bulldozer Capital Outlay Note - Series 2007	278,500	4.45	2-24-07	2-22-12	118,802	0 \$	58,094	60,708
Total Note Payable					\$ 118,802	0 \$	58,094	60,708

(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 7-1-10	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-11
<u>DISCRETELY PRESENTED HARDEMAN COUNTY SCHOOL DEPARTMENT</u>								
<u>CAPITAL LEASES PAYABLE</u>								
Payable through General Purpose School Fund								
Modular Buildings Lease	\$ 116,091	0 %	9-1-07	8-1-10	\$ 5,916	\$ 0	\$ 5,916	\$ 0
Modular Building Lease	36,239	4.6497	12-28-10	12-28-13	0	36,239	5,695	30,544
Total Capital Leases Payable					\$ 5,916	\$ 36,239	\$ 11,611	\$ 30,544

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

GOVERNMENTAL ACTIVITIES:

Year Ending June 30	Notes		Total
	Principal	Interest	
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	\$ 338,965	\$ 77,309	\$ 416,274

Year Ending June 30	Bonds		Total
	Principal	Interest	
2012	\$ 319,000	\$ 207,342	\$ 526,342
2013	335,000	194,529	529,529
2014	345,000	181,094	526,094
2015	361,000	167,236	528,236
2016	365,000	153,031	518,031
2017	380,000	138,504	518,504
2018	395,000	123,380	518,380
2019	410,000	107,659	517,659
2020	425,000	91,341	516,341
2021	445,000	74,426	519,426
2022	460,000	56,715	516,715
2023	480,000	38,407	518,407
2024	485,000	19,303	504,303
Total	\$ 5,205,000	\$ 1,552,967	\$ 6,757,967

(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.)

BUSINESS-TYPE ACTIVITIES:

Year Ending June 30	Note		
	Principal	Interest	Total
2012	\$ 60,708	\$ 2,027	\$ 62,735
Total	\$ 60,708	\$ 2,027	\$ 62,735

DISCRETELY PRESENTED HARDEMAN
COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2012	\$ 11,794	\$ 1,171	\$ 12,965
2013	12,354	611	12,965
2014	6,396	87	6,483
Total	\$ 30,544	\$ 1,869	\$ 32,413

Exhibit K-3

Hardeman County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Hardeman County School Department
For the Year Ended June 30, 2011

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	General Debt Service	Debt payments	\$ 5,436
"	Other Capital Projects	Airport improvements	25,000
Total Transfers Primary Government			<u>\$ 30,436</u>
<u>DISCRETELY PRESENTED HARDEMAN COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ 55,506
"	"	IDEA - DSP funding	151,333
General Purpose School	School Federal Projects	Cash flow	250,000
Total Transfers Discretely Presented Hardeman County School Department			<u>\$ 456,839</u>

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, 2011

Official	Authorization for Salary	Salary Paid During Period	(1)	(2)	Bond	Surety
County Mayor	Section 8-24-102, TCA, and Chapter 90, Private Acts of 1989	\$ 76,703	(1)	(2)	\$ 50,000	Auto-Owners Mutual Insurance Company
Director of Schools	State Board of Education and County Board of Education	109,385	(3)		150,000	Tennessee Risk Management Trust
Highway Superintendent	Section 8-24-102, TCA	74,121			100,000	Auto-Owners Mutual Insurance Company
Trustee	Section 8-24-102, TCA, and County Commission	63,532	(2)		1,172,400	"
Assessor of Property	Section 8-24-102, TCA and County Commission	63,251	(4)		10,000	Western Surety Company
County Clerk	Section 8-24-102, TCA	63,532	(2)		50,000	Auto-Owners Mutual Insurance Company
Circuit, General Sessions, and Juvenile Courts Clerk	Section 8-24-102, TCA	61,751			65,000	"
Clerk and Master	Section 8-24-102, TCA, and County Commission	63,532	(2)	(5)	65,000	Western Surety Company
Register	Section 8-24-102, TCA, and County Commission	63,532	(2)		50,000	Auto-Owners Mutual Insurance Company
Sheriff:						
Delphus Hicks, Jr. (7-1-10 through 8-31-10)	Section 8-24-102, TCA	11,321			25,000	"
John Doolen (9-1-10 through 6-30-11)	Section 8-24-102, TCA	57,206	(6)		25,000	"
Employee Dishonesty Coverage:						
County General Employees					150,000	Local Government Property and Casualty Fund
Highway Superintendent's Office					150,000	"
Office of Director of Schools:						
Central Office Staff					150,000	Tennessee Risk Management Trust

(1) Includes a purchasing agent supplement of \$3,600.
(2) Includes a certified public administrator supplement of \$1,781.
(3) Includes a chief executive officer training supplement of \$1,000.
(4) Includes a certified public administrator supplement of \$1,500.
(5) Does not include special commissioner fees of \$600.
(6) Includes a 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, 2011

	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	General Capital Projects	Other Capital Projects		
Local Taxes										
<u>County Property Taxes</u>										
Current Property Tax	\$ 2,168,607	\$ 0	\$ 0	\$ 0	\$ 31,885	\$ 0	\$ 0	\$ 0	\$ 2,200,492	
Trustee's Collections - Prior Year	134,988	0	0	0	1,731	0	0	0	136,719	
Trustee's Collections - Bankruptcy	8,632	0	0	0	99	0	0	0	8,731	
Circuit/Clerk & Master Collections - Prior Years	76,376	0	0	0	935	0	0	0	77,311	
Interest and Penalty	23,459	0	0	0	310	0	0	0	23,769	
Payments in-Lieu-of Taxes - Other	203,614	0	0	0	493	0	0	0	204,107	
<u>County Local Option Taxes</u>										
Local Option Sales Tax	241,569	0	0	0	0	0	0	0	241,569	
Hotel/Motel Tax	11,856	0	0	0	0	0	0	0	11,856	
Wheel Tax	0	0	0	782,321	0	782,321	0	0	1,564,642	
Litigation Tax - General	96,864	0	0	0	7	0	0	0	96,871	
Litigation Tax - Jail, Workhouse, or Courthouse	73,768	0	0	0	0	0	0	0	73,768	
Business Tax	179,242	0	0	0	0	0	0	0	179,242	
Other County Local Option Taxes	152	0	0	0	0	0	0	0	152	
<u>Statutory Local Taxes</u>										
Bank Excise Tax	29,269	0	0	0	0	0	0	0	29,269	
Wholesale Beer Tax	201,770	0	0	0	0	0	0	0	201,770	
Interstate Telecommunications Tax	1,095	0	0	0	0	0	0	0	1,095	
Total Local Taxes	\$ 3,451,261	\$ 0	\$ 0	\$ 782,321	\$ 35,460	\$ 782,321	\$ 0	\$ 0	\$ 5,051,363	
<u>Licenses and Permits</u>										
<u>Licenses</u>										
Animal Registration	\$ 3,102	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,102	
Cable TV Franchise	6,362	0	0	0	0	0	0	0	6,362	
<u>Permits</u>										
Beer Permits	11,442	0	0	0	0	0	0	0	11,442	
Building Permits	7,000	0	0	0	0	0	0	0	7,000	
Other Permits	640	0	0	0	0	0	0	0	640	
Total Licenses and Permits	\$ 28,546	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 28,546	

(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			
							General Capital Projects	Other Capital Projects		
<u>Circuit Court</u>										
Fines	\$ 5,038	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	5,038	
Officers Costs	7,343	0	0	0	0	0	0	0	7,343	
Drug Control Fines	13,120	10,308	0	0	0	0	0	0	23,428	
Jail Fees	2,322	0	0	0	0	0	0	0	2,322	
DUI Treatment Fines	2,728	0	0	0	0	0	0	0	2,728	
Data Entry Fee - Circuit Court	791	0	0	0	0	0	0	0	791	
Courtroom Security Fee	118	0	0	0	0	0	0	0	118	
Victims Assistance Assessments	2,117	0	0	0	0	0	0	0	2,117	
<u>General Sessions Court</u>										
Fines	27,458	0	0	0	0	0	0	0	27,458	
Officers Costs	31,561	0	0	0	0	0	0	0	31,561	
Game and Fish Fines	462	0	0	0	0	0	0	0	462	
Drug Control Fines	4,894	5,469	0	0	0	0	0	0	10,363	
Drug Court Fees	3,391	0	0	0	0	0	0	0	3,391	
Jail Fees	6,379	0	0	0	0	0	0	0	6,379	
DUI Treatment Fines	5,469	0	0	0	0	0	0	0	5,469	
Data Entry Fee - General Sessions Court	4,864	0	0	0	0	0	0	0	4,864	
Courtroom Security Fee	708	0	0	0	0	0	0	0	708	
Victims Assistance Assessments	8,136	0	0	0	0	0	0	0	8,136	
<u>Juvenile Court</u>										
Fines	304	0	0	0	0	0	0	0	304	
Officers Costs	379	0	0	0	0	0	0	0	379	
Data Entry Fee - Juvenile Court	688	0	0	0	0	0	0	0	688	
Victims Assistance Assessments	126	0	0	0	0	0	0	0	126	
<u>Chancery Court</u>										
Officers Costs	1,672	0	0	0	0	0	0	0	1,672	
Data Entry Fee - Chancery Court	2,302	0	0	0	0	0	0	0	2,302	
<u>Other Courts - In-county</u>										
Officers Costs	40	0	0	0	0	0	0	0	40	

(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	General Capital Projects	Other Capital Projects		
<u>Fines, Forfeitures, and Penalties (Cont.)</u>										
<u>Other Fines, Forfeitures, and Penalties</u>										
Proceeds from Confiscated Property	\$ 0	\$ 14,655	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,655	
Total Fines, Forfeitures, and Penalties	\$ 132,410	\$ 30,432	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 162,842	
<u>Charges for Current Services</u>										
<u>General Service Charges</u>										
Patient Charges	\$ 1,384,368	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,384,368	
Work Release Charges for Board	2,736	0	0	0	0	0	0	0	2,736	
<u>Fees</u>										
Copy Fees	131	0	0	0	0	0	0	0	131	
Telephone Commissions	20,552	0	0	0	0	0	0	0	20,552	
Constitutional Officers' Fees and Commissions	0	0	290,219	0	0	0	0	0	290,219	
Data Processing Fee - Register	7,114	0	0	0	0	0	0	0	7,114	
Data Processing Fee - Sheriff	4,394	0	0	0	0	0	0	0	4,394	
Data Processing Fee - County Clerk	218	0	0	0	0	0	0	0	218	
<u>Other Charges for Services</u>										
Other Charges for Services	1,070	0	0	0	0	0	0	0	1,070	
Total Charges for Current Services	\$ 1,420,583	\$ 0	\$ 290,219	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,710,802	
<u>Other Local Revenues</u>										
<u>Recurring Items</u>										
Investment Income	\$ 181,989	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 274	\$ 0	\$ 182,263	
Lease/Rentals	2,820	0	0	0	0	0	0	0	2,820	
Commissary Sales	18,129	0	0	0	0	0	0	0	18,129	
Sale of Maps	1,471	0	0	0	0	0	0	0	1,471	
Miscellaneous Refunds	31,468	0	0	811	0	0	0	0	32,279	
<u>Nonrecurring Items</u>										
Sale of Equipment	0	0	0	35,335	0	0	0	0	35,335	
Sale of Property	41,847	0	0	0	0	0	0	0	41,847	
Contributions and Gifts	735	0	0	0	0	0	0	0	735	

(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>Other Local Revenues (Cont.)</u>									
<u>Other Local Revenues</u>	\$ 9,398	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,398
Total Other Local Revenues	\$ 287,857	\$ 0	\$ 0	\$ 36,146	\$ 0	\$ 0	\$ 274	\$ 0	\$ 324,277
<u>Fees Received from County Officials</u>									
<u>Excess Fees</u>									
County Clerk	\$ 88,986	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 88,986
Trustee	213,722	0	0	0	0	0	0	0	213,722
<u>Fees in-Lieu-of Salary</u>									
Circuit Court Clerk	66,070	0	0	0	0	0	0	0	66,070
General Sessions Court Clerk	217,273	0	0	0	0	0	0	0	217,273
Clerk and Master	145,795	0	0	0	0	0	0	0	145,795
Juvenile Court Clerk	27,999	0	0	0	0	0	0	0	27,999
Register	83,539	0	0	0	0	0	0	0	83,539
Sheriff	17,204	0	0	0	0	0	0	0	17,204
Total Fees Received from County Officials	\$ 860,588	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 860,588
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 9,090	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,090
Airport Maintenance Program	90,778	0	0	0	0	0	0	0	90,778
On-Behalf Contributions for OPEB	940	0	0	0	0	0	0	0	940
<u>Health and Welfare Grants</u>									
Health Department Programs	220,591	0	0	0	0	0	0	0	220,591
<u>Public Works Grants</u>									
State Aid Program	0	0	0	65,306	0	0	0	0	65,306
Litter Program	18,881	0	0	0	0	0	0	0	18,881
<u>Other State Revenues</u>									
Income Tax	53,922	0	0	0	0	0	0	0	53,922
Beer Tax	9,387	0	0	0	0	0	0	0	9,387
Alcoholic Beverage Tax	61,386	0	0	0	0	0	0	0	61,386

(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	General Capital Projects	Other Capital Projects		
<u>State of Tennessee (Cont.)</u>										
<u>Other State Revenues (Cont.)</u>										
State Revenue Sharing - T.V.A.	\$ 814,763	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 814,763
Contracted Prisoner Boarding	251,825	0	0	0	0	0	0	0	0	251,825
Gasoline and Motor Fuel Tax	0	0	0	1,961,755	0	0	0	0	0	1,961,755
Petroleum Special Tax	0	0	0	22,571	0	0	0	0	0	22,571
Registrar's Salary Supplement	19,259	0	0	0	0	0	0	0	0	19,259
Other State Grants	91,211	0	0	0	0	0	0	0	0	91,211
Other State Revenues	12,706	0	0	0	0	0	0	0	0	12,706
Total State of Tennessee	\$ 1,654,739	\$ 0	\$ 0	\$ 2,049,632	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,704,371
<u>Federal Government</u>										
<u>Federal Through State</u>										
Disaster Relief	\$ 0	\$ 0	\$ 0	326,699	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 326,699
Homeland Security Grants	159,289	0	0	0	0	0	0	0	0	159,289
ARRA Grant # 1	100,000	0	0	0	0	0	0	0	0	100,000
Other Federal through State	0	0	0	0	0	0	0	80,821	0	80,821
<u>Direct Federal Revenue</u>										
Other Direct Federal Revenue	41,587	0	0	0	0	0	0	0	0	41,587
Total Federal Government	\$ 300,876	\$ 0	\$ 0	\$ 326,699	\$ 0	\$ 0	\$ 0	\$ 80,821	\$ 0	\$ 708,396
<u>Other Governments and Citizens Groups</u>										
<u>Other Governments</u>										
Contributions	\$ 16,889	\$ 0	\$ 0	\$ 0	\$ 517,757	\$ 0	\$ 0	\$ 0	\$ 0	\$ 534,646
<u>Other</u>										
Other	12,915	0	0	0	0	0	0	0	0	12,915
Total Other Governments and Citizens Groups	\$ 29,804	\$ 0	\$ 0	\$ 0	\$ 517,757	\$ 0	\$ 0	\$ 0	\$ 0	\$ 547,561
Total	\$ 8,166,664	\$ 30,432	\$ 290,219	\$ 3,194,798	\$ 553,217	\$ 782,321	\$ 81,095	\$ 13,098,746		

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, 2011

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 5,006,923	\$ 0	\$ 0	\$ 5,006,923
Trustee's Collections - Prior Year	254,643	0	0	254,643
Trustee's Collections - Bankruptcy	15,536	0	0	15,536
Circuit/Clerk & Master Collections - Prior Years	145,053	0	0	145,053
Interest and Penalty	45,755	0	0	45,755
Payments in-Lieu-of Taxes - Other	76,923	0	0	76,923
<u>County Local Option Taxes</u>				
Local Option Sales Tax	2,146,941	0	0	2,146,941
Other County Local Option Taxes	279	0	0	279
<u>Statutory Local Taxes</u>				
Interstate Telecommunications Tax	1,962	0	0	1,962
Total Local Taxes	\$ 7,694,015	\$ 0	\$ 0	\$ 7,694,015
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 3,439	\$ 0	\$ 0	\$ 3,439
Total Licenses and Permits	\$ 3,439	\$ 0	\$ 0	\$ 3,439
<u>Charges for Current Services</u>				
<u>Fees</u>				
Vending Machine Collections	\$ 669	\$ 0	\$ 0	\$ 669
<u>Education Charges</u>				
Tuition - Summer School	2,100	0	0	2,100
Lunch Payments - Children	0	0	191,737	191,737
Lunch Payments - Adults	0	0	56,710	56,710
Income from Breakfast	0	0	52,912	52,912
A la carte Sales	0	0	86,113	86,113
Contract for Instructional Services with Other LEAs	3,957	0	0	3,957
Receipts from Individual Schools	1,383	0	0	1,383
<u>Other Charges for Services</u>				
Other Charges for Services	67,984	0	36,743	104,727
Total Charges for Current Services	\$ 76,093	\$ 0	\$ 424,215	\$ 500,308
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 2,582	\$ 2,582
Lease/Rentals	24,257	0	0	24,257
Refund of Telecommunication & Internet Fees (E-Rate)	43,602	0	0	43,602
Retirees' Insurance Payments	13,997	0	0	13,997
Miscellaneous Refunds	49,608	0	2,761	52,369
<u>Nonrecurring Items</u>				
Contributions and Gifts	9,826	0	0	9,826
<u>Other Local Revenues</u>				
Other Local Revenues	8,293	0	0	8,293
Total Other Local Revenues	\$ 149,583	\$ 0	\$ 5,343	\$ 154,926

(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	\$ 130,133	\$ 0	\$ 0	\$ 130,133
<u>State Education Funds</u>				
Basic Education Program	18,336,724	0	0	18,336,724
Basic Education Program - ARRA	2,209,276	0	0	2,209,276
Early Childhood Education	1,023,111	0	0	1,023,111
School Food Service	0	0	23,157	23,157
Energy Efficient School Initiative	9,750	0	0	9,750
Driver Education	10,416	0	0	10,416
Other State Education Funds	6,334	0	0	6,334
Coordinated School Health - ARRA	100,000	0	0	100,000
Internet Connectivity - ARRA	12,168	0	0	12,168
Statewide Student Management System (SSMS) - ARRA	10,447	0	0	10,447
Career Ladder Program	185,634	0	0	185,634
Career Ladder - Extended Contract - ARRA	81,701	0	0	81,701
<u>Other State Revenues</u>				
Other State Grants	0	0	45,651	45,651
Safe Schools - ARRA	25,600	0	0	25,600
Total State of Tennessee	\$ 22,141,294	\$ 0	\$ 68,808	\$ 22,210,102
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,183,202	\$ 1,183,202
USDA - Commodities	0	0	143,459	143,459
Breakfast	0	0	500,480	500,480
USDA - Other	0	0	21,613	21,613
Vocational Education - Basic Grants to States	0	75,562	0	75,562
Title I Grants to Local Education Agencies	0	1,233,292	0	1,233,292
Special Education - Grants to States	43,320	1,243,124	0	1,286,444
Special Education Preschool Grants	0	44,617	0	44,617
Safe and Drug-free Schools - State Grants	0	360,000	0	360,000
Rural Education	0	113,384	0	113,384
Eisenhower Professional Development State Grants	0	252,008	0	252,008
Race to the Top - ARRA	0	460,455	0	460,455
Other Federal through State	68,959	135,326	0	204,285
<u>Direct Federal Revenue</u>				
Other Direct Federal Revenue	0	499,344	0	499,344
Total Federal Government	\$ 112,279	\$ 4,417,112	\$ 1,848,754	\$ 6,378,145
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 100,000	\$ 0	\$ 0	\$ 100,000
Total Other Governments and Citizens Groups	\$ 100,000	\$ 0	\$ 0	\$ 100,000
Total	\$ 30,276,703	\$ 4,417,112	\$ 2,347,120	\$ 37,040,935

Exhibit K-7

Hardeman County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2011

General Fund

General Government

County Commission

Board and Committee Members Fees	\$ 14,610	
Total County Commission		\$ 14,610

Board of Equalization

Board and Committee Members Fees	\$ 805	
Total Board of Equalization		805

Beer Board

Board and Committee Members Fees	\$ 1,400	
Total Beer Board		1,400

Budget and Finance Committee

Board and Committee Members Fees	\$ 3,605	
Total Budget and Finance Committee		3,605

Other Boards and Committees

Board and Committee Members Fees	\$ 3,535	
Travel	1,015	
Total Other Boards and Committees		4,550

County Mayor/Executive

County Official/Administrative Officer	\$ 71,322	
Secretary(ies)	66,562	
Part-time Personnel	1,680	
Educational Incentive - Official/Admin Officer	1,781	
Educational Incentive - Other County Employees	375	
Communication	3,630	
Maintenance and Repair Services - Office Equipment	930	
Postal Charges	2,244	
Travel	8,360	
Office Supplies	5,041	
Other Supplies and Materials	64	
Other Charges	614	
Office Equipment	3,931	
Total County Mayor/Executive		166,534

County Attorney

County Official/Administrative Officer	\$ 10,621	
Legal Services	4,385	
Total County Attorney		15,006

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission

County Official/Administrative Officer	\$ 55,576	
Clerical Personnel	19,985	
Overtime Pay	1,121	
Other Salaries and Wages	5,948	
Board and Committee Members Fees	3,400	
Election Workers	28,226	
Communication	2,513	
Dues and Memberships	175	
Legal Notices, Recording, and Court Costs	5,071	
Maintenance and Repair Services - Office Equipment	291	
Postal Charges	4,084	
Printing, Stationery, and Forms	6,498	
Rentals	15,856	
Travel	7,876	
Other Contracted Services	17,893	
Office Supplies	2,718	
Utilities	4,469	
Other Charges	472	
Office Equipment	6,119	
Total Election Commission		\$ 188,291

Register of Deeds

County Official/Administrative Officer	\$ 61,751	
Deputy(ies)	44,387	
Part-time Personnel	7,264	
Educational Incentive - Official/Admin Officer	1,781	
Educational Incentive - Other County Employees	3,245	
Communication	5,077	
Data Processing Services	6,584	
Maintenance and Repair Services - Office Equipment	200	
Postal Charges	221	
Travel	2,471	
Data Processing Supplies	165	
Office Supplies	3,447	
Data Processing Equipment	627	
Office Equipment	112	
Total Register of Deeds		137,332

Development

County Official/Administrative Officer	\$ 18,092
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(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

Development (Cont.)

Clerical Personnel	\$ 22,899	
Part-time Personnel	1,074	
Communication	2,311	
Contracts with Government Agencies	11,250	
Rentals	948	
Travel	1,898	
Office Supplies	1,340	
Other Charges	430	
Office Equipment	690	
Total Development		\$ 60,932

County Buildings

Supervisor/Director	\$ 33,771	
Custodial Personnel	45,329	
Communication	2,048	
Maintenance and Repair Services - Buildings	22,146	
Maintenance and Repair Services - Equipment	6,313	
Custodial Supplies	2,956	
Gasoline	1,075	
Uniforms	1,028	
Utilities	43,240	
Other Charges	637	
Total County Buildings		158,543

Other General Administration

Land	\$ 58,301	
Total Other General Administration		58,301

Preservation of Records

Maintenance and Repair Services - Buildings	\$ 215	
Utilities	4,414	
Total Preservation of Records		4,629

Finance

Accounting and Budgeting

Other Contracted Services	\$ 18,000	
Total Accounting and Budgeting		18,000

Purchasing

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

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		44,396	
Clerical Personnel		40,200	
Part-time Personnel		20	
Educational Incentive - Official/Admin Officer		1,500	
Educational Incentive - Other County Employees		2,325	
Communication		3,167	
Data Processing Services		15,176	
Dues and Memberships		1,185	
Maintenance and Repair Services - Office Equipment		200	
Postal Charges		362	
Travel		1,304	
Other Contracted Services		9,431	
Office Supplies		1,469	
Other Supplies and Materials		1,292	
Office Equipment		3,987	
Total Property Assessor's Office	\$		187,765

Reappraisal Program

Other Salaries and Wages	\$	21,806	
Advertising		124	
Data Processing Services		3,486	
Postal Charges		819	
Travel		3,829	
Other Contracted Services		287	
Total Reappraisal Program			30,351

County Trustee's Office

Educational Incentive - Official/Admin Officer	\$	1,781	
Educational Incentive - Other County Employees		3,000	
Communication		4,750	
Maintenance and Repair Services - Office Equipment		364	
Postal Charges		7,980	
Office Supplies		4,257	
Office Equipment		18,132	
Total County Trustee's Office			40,264

County Clerk's Office

Communication	\$	2,968	
Maintenance and Repair Services - Office Equipment		9,377	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Postal Charges	\$ 5,308	
Office Supplies	2,597	
Total County Clerk's Office		\$ 20,250

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$ 61,751	
Deputy(ies)	46,829	
Clerical Personnel	100,711	
Part-time Personnel	19,196	
Educational Incentive - Other County Employees	9,300	
Jury and Witness Expense	17,303	
Other Per Diem and Fees	1,142	
Communication	2,683	
Postal Charges	3,860	
Travel	149	
Office Supplies	11,743	
Other Charges	289	
Office Equipment	3,925	
Total Circuit Court		278,881

General Sessions Court

Judge(s)	\$ 98,667	
Secretary(ies)	6,624	
Part-time Personnel	3,900	
Dues and Memberships	70	
Travel	821	
Total General Sessions Court		110,082

Drug Court

Remittance of Revenue Collected	\$ 4,144	
Total Drug Court		4,144

Chancery Court

County Official/Administrative Officer	\$ 61,751
Deputy(ies)	64,696
Educational Incentive - Official/Admin Officer	1,781
Educational Incentive - Other County Employees	3,375
Communication	2,213
Data Processing Services	859

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Legal Notices, Recording, and Court Costs	\$	1,813	
Maintenance and Repair Services - Office Equipment		486	
Postal Charges		7,223	
Travel		1,651	
Office Supplies		4,570	
Other Charges		140	
Office Equipment		1,875	
Total Chancery Court			\$ 152,433

Juvenile Court

Other Salaries and Wages	\$	27,316	
Communication		2,561	
Contracts with Government Agencies		4,900	
Contracts with Other Public Agencies		300	
Travel		2,310	
Drug Treatment		895	
Office Supplies		144	
Office Equipment		60	
Total Juvenile Court			38,486

Victims Assistance Programs

Other Per Diem and Fees	\$	9,084	
Total Victims Assistance Programs			9,084

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	67,927	
Assistant(s)		30,527	
Deputy(ies)		593,069	
Investigator(s)		98,525	
Salary Supplements		10,200	
Dispatchers/Radio Operators		103,793	
Secretary(ies)		65,233	
Part-time Personnel		4,187	
Overtime Pay		21,571	
In-Service Training		11,000	
Communication		27,643	
Dues and Memberships		2,000	
Maintenance and Repair Services - Vehicles		57,028	
Postal Charges		1,663	

(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.)

Travel	\$ 6,766	
Gasoline	130,975	
Office Supplies	15,768	
Tires and Tubes	2,621	
Uniforms	16,408	
Medical Claims	2,001	
Other Charges	35,899	
Communication Equipment	5,433	
Law Enforcement Equipment	12,504	
Motor Vehicles	59,250	
Office Equipment	2,997	
Other Equipment	7,333	
Total Sheriff's Department		\$ 1,392,321

Workhouse

Medical Personnel	\$ 750	
Guards	468,455	
Cafeteria Personnel	36,791	
Part-time Personnel	14,422	
Overtime Pay	9,661	
Communication	1,235	
Maintenance and Repair Services - Buildings	4,735	
Maintenance and Repair Services - Equipment	11,650	
Medical and Dental Services	108,050	
Custodial Supplies	36,872	
Electricity	127,231	
Food Preparation Supplies	12,249	
Food Supplies	155,239	
Other Supplies and Materials	11,661	
Other Charges	2,015	
Building Improvements	271	
Communication Equipment	2,424	
Total Workhouse		1,003,711

Juvenile Services

Supervisor/Director	\$ 32,216	
Communication	767	
Postal Charges	228	
Office Supplies	170	
Office Equipment	434	
Total Juvenile Services		33,815

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control

Contracts with Government Agencies	\$ 61,900	
Total Fire Prevention and Control		\$ 61,900

Civil Defense

Supervisor/Director	\$ 2,816	
Part-time Personnel	1,224	
Communication	2,260	
Dues and Memberships	50	
Maintenance and Repair Services - Vehicles	820	
Gasoline	1,115	
Office Supplies	984	
Other Charges	860	
Other Equipment	7,987	
Total Civil Defense		18,116

County Coroner/Medical Examiner

Other Contracted Services	\$ 38,674	
Total County Coroner/Medical Examiner		38,674

Public Health and Welfare

Local Health Center

Communication	\$ 8,268	
Contracts with Government Agencies	25,320	
Janitorial Services	14,400	
Maintenance and Repair Services - Buildings	10,341	
Postal Charges	338	
Travel	102	
Custodial Supplies	1,656	
Drugs and Medical Supplies	140	
Office Supplies	1,330	
Utilities	17,433	
Other Supplies and Materials	2,310	
Total Local Health Center		81,638

Rabies and Animal Control

County Official/Administrative Officer	\$ 23,629
Part-time Personnel	6,325
Communication	2,971
Maintenance and Repair Services - Buildings	943
Maintenance and Repair Services - Vehicles	1,862

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Rabies and Animal Control (Cont.)

Animal Food and Supplies	\$	326	
Drugs and Medical Supplies		841	
Gasoline		5,624	
Uniforms		546	
Utilities		2,843	
Other Supplies and Materials		9,869	
Refunds		50	
Other Charges		3,078	
Total Rabies and Animal Control			\$ 58,907

Ambulance/Emergency Medical Services

Assistant(s)	\$	34,628	
Supervisor/Director		45,000	
Clerical Personnel		20,847	
Attendants		741,744	
Educational Incentive - Other County Employees		2,290	
Overtime Pay		227,548	
In-Service Training		5,344	
Communication		14,553	
Contracts with Private Agencies		22,739	
Maintenance and Repair Services - Buildings		3,715	
Maintenance and Repair Services - Equipment		2,924	
Maintenance and Repair Services - Vehicles		51,981	
Postal Charges		6,971	
Travel		743	
Custodial Supplies		4,112	
Drugs and Medical Supplies		91,303	
Gasoline		74,633	
Office Supplies		5,070	
Tires and Tubes		3,960	
Uniforms		6,820	
Utilities		12,168	
Refunds		10,846	
Other Charges		4,839	
Motor Vehicles		67,710	
Other Equipment		1,129	
Other Capital Outlay		164,234	
Total Ambulance/Emergency Medical Services			1,627,851

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Dental Health Program

Medical Personnel	\$ 94,233	
Paraprofessionals	21,758	
Clerical Personnel	34,846	
State Retirement	16,066	
Employee and Dependent Insurance	17,439	
Travel	1,211	
Drugs and Medical Supplies	<u>16,559</u>	
Total Dental Health Program		\$ 202,112

Alcohol and Drug Programs

Contributions	<u>\$ 10,000</u>	
Total Alcohol and Drug Programs		10,000

Crippled Children Services

Contracts with Government Agencies	<u>\$ 1,779</u>	
Total Crippled Children Services		1,779

Other Local Health Services

Supervisor/Director	\$ 2,816	
Contracts with Other Public Agencies	2,000	
Contributions	<u>2,000</u>	
Total Other Local Health Services		6,816

Regional Mental Health Center

Contributions	\$ 15,000	
Other Contracted Services	<u>5,000</u>	
Total Regional Mental Health Center		20,000

Other Local Welfare Services

Other Contracted Services	<u>\$ 5,000</u>	
Total Other Local Welfare Services		5,000

Sanitation Education/Information

Foremen	\$ 12,156	
Laborers	6,115	
Employee and Dependent Insurance	5,804	
Instructional Supplies and Materials	6,204	
Other Supplies and Materials	131	
Other Charges	<u>1,044</u>	
Total Sanitation Education/Information		31,454

(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	\$ 248,983	
Total Waste Pickup		\$ 248,983

Convenience Centers

Supervisor/Director	\$ 11,250	
Laborers	21,720	
Clerical Personnel	8,763	
Part-time Personnel	181,484	
Communication	5,401	
Maintenance and Repair Services - Equipment	2,314	
Postal Charges	1,500	
Travel	910	
Other Contracted Services	8,299	
Data Processing Supplies	3,748	
Gasoline	1,608	
Office Supplies	1,002	
Road Signs	395	
Uniforms	452	
Utilities	14,379	
Gravel and Chert	4,491	
Other Supplies and Materials	858	
Other Charges	1,731	
Solid Waste Equipment	8,261	
Other Capital Outlay	20,650	
Total Convenience Centers		299,216

Social, Cultural, and Recreational Services

Libraries

Contributions	\$ 7,150	
Other Contracted Services	80,314	
Total Libraries		87,464

Other Social, Cultural, and Recreational

Contributions	\$ 3,000	
Total Other Social, Cultural, and Recreational		3,000

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$ 45,569	
Communication	2,764	

(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	4,062	
Other Supplies and Materials	129	
Other Capital Outlay	1,976	
Total Agriculture Extension Service		\$ 75,604

Forest Service

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

Soil Conservation

Secretary(ies)	\$ 20,866	
Dues and Memberships	1,030	
Travel	1,991	
Other Contracted Services	8,240	
Other Supplies and Materials	565	
Total Soil Conservation		32,692

Other Operations

Industrial Development

Advertising	\$ 25	
Contracts with Other Public Agencies	24,775	
Contributions	32,510	
Dues and Memberships	20	
Total Industrial Development		57,330

Housing and Urban Development

Other Contracted Services	\$ 41,587	
Total Housing and Urban Development		41,587

Airport

Communication	\$ 2,801	
Maintenance and Repair Services - Buildings	6,550	
Maintenance and Repair Services - Equipment	5,894	
Other Contracted Services	13,396	
Gasoline	10,127	
Utilities	11,341	
Judgments	29,330	
Other Charges	1,116	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Other Operations (Cont.)

Airport (Cont.)

Airport Improvement	\$ 31,783	
Total Airport		\$ 112,338

Veterans' Services

Secretary(ies)	\$ 7,074	
Communication	469	
Postal Charges	148	
Travel	131	
Office Supplies	10	
Total Veterans' Services		7,832

Contributions to Other Agencies

Contributions	\$ 2,500	
Dues and Memberships	21,138	
Total Contributions to Other Agencies		23,638

Employee Benefits

Social Security	\$ 276,314	
State Retirement	409,164	
Employee and Dependent Insurance	766,450	
Disability Insurance	126,553	
Unemployment Compensation	8,753	
Employer Medicare	64,143	
On-Behalf Payments to OPEB	940	
Total Employee Benefits		1,652,317

Miscellaneous

Audit Services	\$ 8,432	
Contributions	118,950	
Data Processing Services	32,835	
Dues and Memberships	6,818	
Legal Notices, Recording, and Court Costs	4,484	
Other Supplies and Materials	5,840	
Liability Insurance	134,218	
Premiums on Corporate Surety Bonds	8,682	
Trustee's Commission	85,181	
Other Charges	118,106	
Total Miscellaneous		523,546

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Capital Projects

Administration of Justice Projects

Law Enforcement Equipment	\$ 604,425	
Total Administration of Justice Projects		\$ 604,425

Total General Fund \$ 10,073,944

Drug Control Fund

Public Safety

Drug Enforcement

In-Service Training	\$ 425	
Confidential Drug Enforcement Payments	6,000	
Travel	450	
Gasoline	583	
Instructional Supplies and Materials	7,332	
Trustee's Commission	526	
Other Charges	1,735	
Law Enforcement Equipment	40,140	
Other Equipment	8,783	
Total Drug Enforcement		\$ 65,974

Total Drug Control Fund 65,974

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$ 114,361	
Total County Trustee's Office		\$ 114,361

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 175,262	
Total County Clerk's Office		175,262

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$ 600	
Total Chancery Court		600

Total Constitutional Officers - Fees Fund 290,223

(Continued)

Exhibit K-7

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 74,121	
Secretary(ies)	55,051	
Educational Incentive - Other County Employees	530	
Board and Committee Members Fees	9,520	
Communication	6,433	
Data Processing Services	5,443	
Dues and Memberships	3,854	
Legal Services	3,977	
Legal Notices, Recording, and Court Costs	309	
Maintenance and Repair Services - Office Equipment	311	
Postal Charges	800	
Rentals	2,371	
Travel	1,809	
Other Contracted Services	2,200	
Electricity	24,219	
Office Supplies	4,905	
Other Supplies and Materials	796	
Data Processing Equipment	528	
Total Administration		\$ 197,177

Highway and Bridge Maintenance

Foremen	\$ 132,441	
Laborers	509,867	
Overtime Pay	14,297	
Other Salaries and Wages	11,318	
Engineering Services	655	
Rentals	1,200	
Other Contracted Services	3,625	
Asphalt - Liquid	74,243	
Crushed Stone	73,225	
General Construction Materials	5,676	
Road Signs	8,815	
Wood Products	12,547	
Chemicals	11,394	
Other Supplies and Materials	616	
Total Highway and Bridge Maintenance		859,919

Operation and Maintenance of Equipment

Materials Supervisor	\$ 24,248
Foremen	30,672

(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.)

Mechanic(s)	\$ 39,626	
Overtime Pay	3,789	
Other Salaries and Wages	2,196	
Equipment and Machinery Parts	141,360	
Garage Supplies	247	
Gasoline	235,485	
Lubricants	8,759	
Tires and Tubes	39,981	
Uniforms	9,572	
Other Supplies and Materials	299	
Total Operation and Maintenance of Equipment		\$ 536,234

Asphalt Plant Operations

Laborers	\$ 9,624	
Asphalt - Hot Mix	429,059	
Crushed Stone	74,465	
Equipment and Machinery Parts	4,728	
Utilities	52,452	
Other Supplies and Materials	338	
Total Asphalt Plant Operations		570,666

Other Charges

Liability Insurance	\$ 65,864	
Premiums on Corporate Surety Bonds	982	
Trustee's Commission	27,755	
Liability Claims	3,730	
Total Other Charges		98,331

Employee Benefits

Social Security	\$ 56,980	
State Retirement	93,422	
Employee and Dependent Insurance	159,606	
Disability Insurance	44,356	
Unemployment Compensation	6,201	
Employer Medicare	13,326	
Other Fringe Benefits	1,040	
Total Employee Benefits		374,931

Capital Outlay

Bridge Construction	\$ 3,200	
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(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay (Cont.)

Communication Equipment	\$ 2,414	
Highway Construction	23,376	
Highway Equipment	401,999	
State Aid Projects	65,306	
Other Capital Outlay	<u>34,634</u>	
Total Capital Outlay		\$ 530,929

Principal on Debt

Highways and Streets

Principal on Notes	<u>\$ 103,937</u>	
Total Highways and Streets		103,937

Interest on Debt

Highways and Streets

Interest on Notes	<u>\$ 4,111</u>	
Total Highways and Streets		<u>4,111</u>

Total Highway/Public Works Fund \$ 3,276,235

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 9,000	
Principal on Notes	<u>29,211</u>	
Total General Government		\$ 38,211

Education

Principal on Bonds	<u>\$ 300,000</u>	
Total Education		300,000

Interest on Debt

General Government

Interest on Bonds	\$ 2,225	
Interest on Notes	<u>16,356</u>	
Total General Government		18,581

Education

Interest on Bonds	<u>\$ 217,507</u>	
Total Education		217,507

(Continued)

Exhibit K-7

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

General Debt Service Fund (Cont.)

Other Debt Service

General Government

Trustee's Commission	\$ 700	
Total General Government		\$ 700

Education

Other Charges	\$ 250	
Total Education		<u>250</u>

Total General Debt Service Fund		\$ 575,249
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General Capital Projects Fund

Capital Projects

Administration of Justice Projects

Contributions	\$ 929,118	
Trustee's Commission	<u>7,854</u>	
Total Administration of Justice Projects		<u>\$ 936,972</u>

Total General Capital Projects Fund		936,972
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Other Capital Projects Fund

Capital Projects

Other General Government Projects

Engineering Services	\$ 9,580	
Total Other General Government Projects		<u>\$ 9,580</u>

Total Other Capital Projects Fund		<u>9,580</u>
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Total Governmental Funds - Primary Government		<u><u>\$ 15,228,177</u></u>
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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, 2011

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 9,420,291	
Career Ladder Program	108,908	
Career Ladder Extended Contracts	37,488	
Homebound Teachers	7,266	
Educational Assistants	387,720	
Other Salaries and Wages	200	
Certified Substitute Teachers	30,418	
Non-certified Substitute Teachers	84,494	
Social Security	593,579	
State Retirement	908,476	
Medical Insurance	1,408,747	
Dental Insurance	83,848	
Employer Medicare	138,911	
Other Contracted Services	44,874	
Instructional Supplies and Materials	214,756	
Textbooks	211,314	
Other Charges	9,018	
Regular Instruction Equipment	49,800	
Other Equipment	55,165	
Total Regular Instruction Program		\$ 13,795,273

Alternative Instruction Program

Teachers	\$ 171,837	
Certified Substitute Teachers	422	
Non-certified Substitute Teachers	220	
Social Security	8,879	
State Retirement	13,526	
Medical Insurance	21,564	
Dental Insurance	938	
Employer Medicare	2,407	
Total Alternative Instruction Program		219,793

Special Education Program

Teachers	\$ 1,394,190
Career Ladder Program	16,000
Educational Assistants	176,641
Certified Substitute Teachers	2,242
Non-certified Substitute Teachers	10,123
Social Security	93,142

(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.)

State Retirement	\$ 144,530	
Medical Insurance	198,944	
Dental Insurance	8,651	
Employer Medicare	21,982	
Contracts with Private Agencies	202,107	
Instructional Supplies and Materials	3,284	
Other Supplies and Materials	2,586	
Special Education Equipment	4,481	
Total Special Education Program		\$ 2,278,903

Vocational Education Program

Teachers	\$ 869,339	
Career Ladder Program	10,990	
Career Ladder Extended Contracts	600	
Educational Assistants	3,830	
Certified Substitute Teachers	1,801	
Non-certified Substitute Teachers	8,258	
Social Security	52,987	
State Retirement	79,721	
Medical Insurance	123,191	
Dental Insurance	5,865	
Employer Medicare	12,395	
Maintenance and Repair Services - Equipment	535	
Instructional Supplies and Materials	20,986	
Other Supplies and Materials	1,665	
Other Charges	1,713	
Vocational Instruction Equipment	6,982	
Total Vocational Education Program		1,200,858

Support Services

Attendance

Supervisor/Director	\$ 61,905
Career Ladder Program	2,000
Career Ladder Extended Contracts	2,500
Clerical Personnel	20,000
Social Security	5,208
State Retirement	8,358
Medical Insurance	11,931
Dental Insurance	662

(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.)

Employer Medicare	\$	1,218	
Contracts with Private Agencies		10,447	
Travel		944	
Office Supplies		11	
Other Supplies and Materials		226	
Total Attendance			\$ 125,410

Health Services

Medical Personnel	\$	190,822	
Social Security		10,904	
State Retirement		22,784	
Medical Insurance		45,208	
Dental Insurance		2,243	
Employer Medicare		2,550	
Travel		3,405	
Other Contracted Services		676	
Drugs and Medical Supplies		5,220	
Other Supplies and Materials		1,056	
In Service/Staff Development		500	
Total Health Services			285,368

Other Student Support

Career Ladder Program	\$	5,000	
Guidance Personnel		510,109	
Social Workers		82,418	
Other Salaries and Wages		46,834	
Social Security		37,230	
State Retirement		56,059	
Medical Insurance		70,154	
Dental Insurance		3,310	
Employer Medicare		9,061	
Evaluation and Testing		12,286	
Travel		4,068	
Other Contracted Services		2,000	
Other Supplies and Materials		33,998	
In Service/Staff Development		1,295	
Other Equipment		20,563	
Total Other Student Support			894,385

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program

Supervisor/Director	\$	109,675	
Career Ladder Program		12,000	
Career Ladder Extended Contracts		8,915	
Librarians		381,808	
Educational Assistants		73,113	
Other Salaries and Wages		458,297	
Social Security		60,607	
State Retirement		94,432	
Medical Insurance		119,091	
Dental Insurance		5,641	
Employer Medicare		14,528	
Maintenance and Repair Services - Equipment		29,827	
Travel		4,338	
Other Contracted Services		27,945	
Library Books/Media		32,151	
Other Supplies and Materials		320	
In Service/Staff Development		1,006	
Other Equipment		1,815	
Total Regular Instruction Program			\$ 1,435,509

Alternative Instruction Program

Supervisor/Director	\$	53,717	
Clerical Personnel		23,575	
Social Security		4,730	
State Retirement		7,676	
Medical Insurance		5,188	
Dental Insurance		276	
Employer Medicare		1,106	
Total Alternative Instruction Program			96,268

Special Education Program

Supervisor/Director	\$	61,905	
Career Ladder Program		1,000	
Psychological Personnel		100,759	
Career Ladder Extended Contracts		2,500	
Assessment Personnel		135,890	
Other Salaries and Wages		1,120	
Social Security		15,134	
State Retirement		23,100	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Medical Insurance	\$	26,032	
Dental Insurance		1,479	
Employer Medicare		4,239	
Travel		9,989	
Other Supplies and Materials		3,436	
In Service/Staff Development		575	
Total Special Education Program			\$ 387,158

Vocational Education Program

Supervisor/Director	\$	65,934	
Career Ladder Program		1,000	
Career Ladder Extended Contracts		2,500	
Social Security		4,032	
State Retirement		6,284	
Medical Insurance		9,308	
Employer Medicare		943	
Travel		265	
Other Supplies and Materials		226	
Total Vocational Education Program			90,492

Other Programs

On-Behalf Payments to OPEB	\$	130,133	
Total Other Programs			130,133

Board of Education

Board and Committee Members Fees	\$	6,000	
Social Security		526	
State Retirement		297	
Medical Insurance		18,343	
Unemployment Compensation		72,854	
Employer Medicare		123	
Audit Services		23,100	
Dues and Memberships		12,001	
Legal Services		9,251	
Travel		9,102	
Other Contracted Services		15,950	
Other Supplies and Materials		1,630	
Liability Insurance		25,714	
Premiums on Corporate Surety Bonds		1,970	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Trustee's Commission	\$ 190,791	
Workers' Compensation Insurance	156,052	
In Service/Staff Development	5,171	
Other Charges	2,957	
Total Board of Education		\$ 551,832

Director of Schools

County Official/Administrative Officer	\$ 108,385	
Career Ladder Program	1,000	
Clerical Personnel	62,022	
Social Security	10,418	
State Retirement	16,626	
Medical Insurance	7,011	
Dental Insurance	520	
Employer Medicare	2,464	
Communication	24,325	
Dues and Memberships	479	
Maintenance and Repair Services - Equipment	225	
Postal Charges	4,060	
Travel	1,992	
Other Contracted Services	31,717	
Office Supplies	5,621	
Other Supplies and Materials	2,956	
In Service/Staff Development	2,703	
Other Charges	15,983	
Administration Equipment	25,128	
Total Director of Schools		323,635

Office of the Principal

Principals	\$ 577,337	
Career Ladder Program	13,000	
Career Ladder Extended Contracts	20,600	
Assistant Principals	317,065	
Secretary(ies)	337,073	
Social Security	75,986	
State Retirement	123,318	
Medical Insurance	107,585	
Dental Insurance	5,048	
Employer Medicare	17,771	
Total Office of the Principal		1,594,783

(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.)

Fiscal Services

Supervisor/Director	\$	33,617	
Accountants/Bookkeepers		79,628	
Career Ladder Extended Contracts		2,500	
Social Security		5,671	
State Retirement		11,249	
Medical Insurance		6,865	
Dental Insurance		161	
Employer Medicare		1,638	
Data Processing Services		7,895	
Dues and Memberships		410	
Travel		908	
Data Processing Supplies		680	
Office Supplies		3,146	
Other Supplies and Materials		37	
In Service/Staff Development		1,270	
Other Charges		94	
Administration Equipment		1,127	
Total Fiscal Services			\$ 156,896

Human Services/Personnel

Supervisor/Director	\$	103,156	
Social Security		6,073	
State Retirement		10,826	
Medical Insurance		7,669	
Dental Insurance		635	
Employer Medicare		1,420	
Dues and Memberships		50	
Travel		809	
Office Supplies		498	
In Service/Staff Development		500	
Total Human Services/Personnel			131,636

Operation of Plant

Supervisor/Director	\$	45,304
Career Ladder Extended Contracts		2,500
Custodial Personnel		3,365
Social Security		1,699
State Retirement		2,759
Medical Insurance		3,389

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Dental Insurance	\$	117	
Employer Medicare		715	
Janitorial Services		684,100	
Travel		547	
Disposal Fees		14,824	
Electricity		715,228	
Natural Gas		144,537	
Water and Sewer		89,093	
Boiler Insurance		6,307	
Building and Contents Insurance		110,758	
Other Charges		261	
Total Operation of Plant			\$ 1,825,503

Maintenance of Plant

Career Ladder Extended Contracts	\$	500	
Maintenance Personnel		265,736	
Other Salaries and Wages		33,567	
In-Service Training		87	
Social Security		17,147	
State Retirement		32,581	
Medical Insurance		35,958	
Dental Insurance		1,811	
Employer Medicare		4,107	
Laundry Service		3,879	
Maintenance and Repair Services - Buildings		171,923	
Maintenance and Repair Services - Equipment		40,949	
Maintenance and Repair Services - Vehicles		781	
Rentals		17,240	
Travel		826	
Other Contracted Services		11,718	
General Construction Materials		50,546	
Other Supplies and Materials		12,500	
In Service/Staff Development		210	
Other Charges		15,340	
Heating and Air Conditioning Equipment		9,486	
Maintenance Equipment		57,119	
Total Maintenance of Plant			784,011

(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

Supervisor/Director	\$	45,304	
Career Ladder Extended Contracts		1,000	
Mechanic(s)		127,346	
Bus Drivers		429,742	
Clerical Personnel		25,676	
Other Salaries and Wages		26,108	
In-Service Training		8,164	
Social Security		37,116	
State Retirement		66,361	
Medical Insurance		18,935	
Dental Insurance		1,227	
Employer Medicare		9,558	
Laundry Service		2,711	
Maintenance and Repair Services - Vehicles		26,916	
Medical and Dental Services		4,862	
Travel		4,204	
Diesel Fuel		249,551	
Garage Supplies		6,860	
Gasoline		60,024	
Lubricants		12,327	
Tires and Tubes		21,802	
Vehicle Parts		71,638	
Other Supplies and Materials		1,513	
Vehicle and Equipment Insurance		34,094	
In Service/Staff Development		300	
Other Charges		42,882	
Administration Equipment		4,500	
Transportation Equipment		13,435	
Total Transportation			\$ 1,354,156

Central and Other

Supervisor/Director	\$	43,373
Computer Programmer(s)		80,894
Clerical Personnel		17,875
Social Security		8,405
State Retirement		16,972
Medical Insurance		19,367
Dental Insurance		883
Employer Medicare		1,966

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Central and Other (Cont.)

Maintenance and Repair Services - Equipment	\$	1,474	
Travel		2,734	
Other Contracted Services		3,136	
Data Processing Supplies		2,635	
In Service/Staff Development		3,103	
Other Charges		3,400	
Data Processing Equipment		3,269	
Total Central and Other			\$ 209,486

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	80,128	
Part-time Personnel		9,930	
Non-certified Substitute Teachers		366	
Social Security		5,847	
State Retirement		9,835	
Medical Insurance		10,073	
Dental Insurance		552	
Employer Medicare		1,368	
Travel		445	
Food Supplies		2,134	
Instructional Supplies and Materials		623	
Library Books/Media		3,000	
Office Supplies		1,231	
Other Supplies and Materials		652	
Other Charges		6,649	
Total Community Services			132,833

Early Childhood Education

Supervisor/Director	\$	130,792
Teachers		389,791
Educational Assistants		128,137
Certified Substitute Teachers		5,370
Non-certified Substitute Teachers		9,856
Social Security		39,993
State Retirement		61,638
Medical Insurance		58,982
Dental Insurance		3,475
Employer Medicare		9,404

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

Operating Lease Payments	\$	7,119	
Travel		7,667	
Instructional Supplies and Materials		49,990	
Office Supplies		9,914	
Other Supplies and Materials		5,125	
In Service/Staff Development		4,915	
Other Charges		2,227	
Other Equipment		69,009	
Total Early Childhood Education			\$ 993,404

Capital Outlay

Regular Capital Outlay

Engineering Services	\$	9,750	
Building Improvements		52,159	
Heating and Air Conditioning Equipment		214,311	
Total Regular Capital Outlay			276,220

Principal on Debt

Education

Principal on Capital Leases	\$	11,611	
Total Education			11,611

Interest on Debt

Education

Interest on Capital Leases	\$	788	
Total Education			788

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	517,757	
Total Education			517,757

Total General Purpose School Fund \$ 29,804,101

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	779,567	
Educational Assistants		79,621	

(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.)

Regular Instruction Program (Cont.)

Other Salaries and Wages	\$ 212,036	
Certified Substitute Teachers	20,138	
Non-certified Substitute Teachers	5,122	
Social Security	64,981	
State Retirement	96,623	
Medical Insurance	100,831	
Dental Insurance	4,973	
Employer Medicare	15,322	
Contracts with Private Agencies	1,600	
Maintenance and Repair Services - Equipment	3,091	
Other Contracted Services	15,082	
Instructional Supplies and Materials	317,768	
Other Supplies and Materials	12,884	
Other Charges	321	
Regular Instruction Equipment	587,168	
Total Regular Instruction Program		\$ 2,317,128

Special Education Program

Educational Assistants	\$ 420,661	
Social Security	25,724	
State Retirement	49,480	
Medical Insurance	3,397	
Employer Medicare	6,016	
Contracts with Private Agencies	113,971	
Instructional Supplies and Materials	106,891	
Other Supplies and Materials	1,088	
Special Education Equipment	59,424	
Total Special Education Program		786,652

Vocational Education Program

Educational Assistants	\$ 9,302	
Social Security	577	
State Retirement	784	
Employer Medicare	135	
Other Supplies and Materials	17,129	
Other Charges	419	
Vocational Instruction Equipment	25,210	
Total Vocational Education Program		53,556

(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

Health Services

Medical Personnel	\$	6,561	
Social Security		407	
Employer Medicare		95	
Total Health Services			\$ 7,063

Other Student Support

Travel	\$	20,520	
In Service/Staff Development		210	
Total Other Student Support			20,730

Regular Instruction Program

Supervisor/Director	\$	99,380	
Clerical Personnel		25,489	
Social Security		7,681	
State Retirement		13,180	
Medical Insurance		10,066	
Dental Insurance		276	
Employer Medicare		1,796	
Travel		33,690	
Instructional Supplies and Materials		206	
Library Books/Media		361,500	
Other Supplies and Materials		3,916	
In Service/Staff Development		60,908	
Other Charges		948	
Other Equipment		121,218	
Total Regular Instruction Program			740,254

Special Education Program

Travel	\$	13,726	
Other Supplies and Materials		4,048	
In Service/Staff Development		9,584	
Other Equipment		9,000	
Total Special Education Program			36,358

Vocational Education Program

Travel	\$	1,718	
Total Vocational Education Program			1,718

(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.)

Office of the Principal

Principals	\$	5,036	
Social Security		312	
State Retirement		456	
Employer Medicare		73	
Administration Equipment		9,361	
Total Office of the Principal			\$ 15,238

Transportation

Bus Drivers	\$	121,599	
Social Security		7,539	
State Retirement		13,038	
Employer Medicare		1,763	
Transportation Equipment		178,000	
Total Transportation			321,939

Total School Federal Projects Fund \$ 4,300,636

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	30,758
Accountants/Bookkeepers		28,220
Cafeteria Personnel		763,353
Social Security		48,569
State Retirement		86,456
Medical Insurance		4,295
Dental Insurance		46
Employer Medicare		11,805
Communication		3,885
Data Processing Services		3,492
Dues and Memberships		483
Maintenance and Repair Services - Equipment		12,661
Printing, Stationery, and Forms		645
Travel		5,014
Permits		800
Other Contracted Services		9,379
Electricity		29,056
Food Supplies		1,016,446
Natural Gas		8,809

(Continued)

Exhibit K-8

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Office Supplies	\$	1,833	
Uniforms		3,000	
Utilities		5,195	
Water and Sewer		2,870	
USDA - Commodities		143,459	
Other Supplies and Materials		90,261	
Refunds		432	
In Service/Staff Development		1,650	
Other Charges		3,180	
Food Service Equipment		33,717	
Total Food Service			<u>\$ 2,349,769</u>

Total Central Cafeteria Fund \$ 2,349,769

Total Governmental Funds - Hardeman County School Department \$ 36,454,506

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, 2011

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 1,527,707
Total Cash Receipts	<u>\$ 1,527,707</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,512,430
Trustee's Commission	<u>15,277</u>
Total Cash Disbursements	<u>\$ 1,527,707</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2010	<u>0</u>
Cash Balance, June 30, 2011	<u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



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

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

February 21, 2012

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, 2011, which collectively comprise Hardeman County's basic financial statements and have issued our report thereon dated February 21, 2012. Our report on the aggregate discretely presented component units financial statements was qualified due to not including the financial statements of the Hardeman County Emergency Communications District, which were not available from 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.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting: 11.01(C), 11.03, and 11.04. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

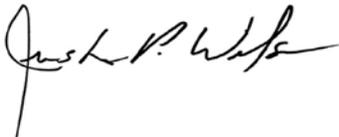
As part of obtaining reasonable assurance about whether Hardeman County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 11.01(A,B), 11.02, and 11.05.

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 the responses.

This report is intended solely for the information and use of management, the county mayor, highway superintendent, director of schools, County Commission, Board of Highway Supervisors, 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,



Justin P. Wilson
Comptroller of the Treasury

JPW/yu



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

**REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

February 21, 2012

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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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

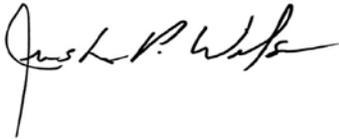
We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardeman County as of and for the year ended June 30, 2011, and have issued our report thereon dated February 21, 2012. Our report on the aggregate discretely presented component units financial statements was qualified due to not including the financial statements of the Hardeman County Emergency Communications District, which were 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 as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of

management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 the responses.

This report is intended solely for the information and use of management, the county mayor, highway superintendent, director of schools, County Commission, Board of Highway Supervisors, Board of Education, others within the entity, 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, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical stroke extending downwards from the end of the name.

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

Hardeman County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2011

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 Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 500,480
National School Lunch Program	10.555	N/A	1,183,202 (3)
Summer Food Service Program for Children	10.559	N/A	21,613
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	143,459 (3)
Fresh Fruit and Vegetable Program	10.582	N/A	45,651
Total U.S. Department of Agriculture			<u>\$ 1,894,405</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(2)	\$ 9,090
Total U.S. Department of Justice			<u>\$ 9,090</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Airport Improvement Program	20.106	(2)	\$ 80,821
Total U.S. Department of Transportation			<u>\$ 80,821</u>
U.S. Department of Energy:			
Passed-through State Department of Economic and Community Development:			
Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	(2)	\$ 100,000
Total U.S. Department of Energy			<u>\$ 100,000</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 1,008,472
Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A	293,836
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	1,015,665
Special Education - Preschool Grants	84.173	N/A	42,390
Special Education - Grants to States, Recovery Act	84.391	N/A	300,463
Special Education - Preschool Grants, Recovery Act	84.392	N/A	2,943
Career and Technical Education - Basic Grants to States	84.048	N/A	75,562
Twenty-first Century Community Learning Centers	84.287	N/A	360,225
Educational Technology State Grants Cluster:			
Educational Technology State Grants	84.318	N/A	3,501
Educational Technology State Grants, Recovery Act	84.386	N/A	19,133
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	N/A	114,495
Rural Education	84.358	(2)	113,504
Improving Literacy Through School Libraries	84.364	N/A	487,562
Improving Teacher Quality State Grants	84.367	N/A	252,008
State Fiscal Stabilization Fund Cluster:			
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	(2)	2,209,276
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	(2)	229,916
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	(2)	461,038
Total U.S. Department of Education			<u>\$ 6,989,989</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services:			
Passed-through State Department of Education:			
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	93.714	(2)	\$ 68,959
Passed-through State Department of Health:			
Preventive Health and Health Services Block Grant	93.991	(2)	<u>220,591</u>
Total U.S. Department of Health and Human Services			<u>\$ 289,550</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(2)	\$ 326,699
Emergency Management Performance Grants	97.042	(2)	11,243
Assistance to Firefighters Grant	97.044	(2)	<u>148,046</u>
Total U.S. Department of Homeland Security			<u>\$ 485,988</u>
Total Expenditures of Federal Awards			<u>\$ 9,849,843</u>
		<u>Contract Number</u>	
<u>State Grants</u>			
Airport Maintenance Program - State Department of Transportation	N/A	(2)	\$ 90,778
Computer Clubhouse Grant - State Department of Economic and Community Development	N/A	GG1029477	91,211
Litter Grant - State Department of Transportation	N/A	(2)	18,881
Early Childhood Education - State Department of Education	N/A	(2)	1,023,111
Connectenn - State Department of Education	N/A	(2)	2,232
ACT/Explore - State Department of Education	N/A	(2)	4,102
Energy Efficiency Grant - State Department of Education	N/A	(2)	9,750
Solid Waste Grant - State Department of Environment and Conservation	N/A	(2)	4,481
Save the Children - Save the Children Federation, Inc.	N/A	(2)	<u>67,984</u>
Total State Grants			<u>\$ 1,312,530</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) Total for CFDA No. 10.555 is \$1,326,661.

Hardeman County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2011

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, 2010, which have not been corrected.

OFFICE OF COUNTY MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.01	154	The office had deficiencies in budget operations
10.02	155	Amounts withheld from contractor payments were not deposited into an escrow account
10.03	155	The Solid Waste Disposal Fund had a deficit in unrestricted net assets

HARDEMAN COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2011

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 deficiencies was considered to be material weaknesses.
3. The audit disclosed no instances of noncompliance that are 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 Title I, Part A Cluster: Title I Grants to Local Educational Agencies and Title I Grants to Local Educational Agencies, Recovery Act (CFDA Nos. 84.010 and 84.389); the Special Education Cluster: Special Education – Grants to States, Special Education – Preschool Grants, Special Education – Grants to States, Recovery Act, and Special Education – Preschool Grants, Recovery Act (CFDA Nos. 84.027, 84.173, 84.391, and 84.392); Improving Literacy Through School Libraries (CFDA No. 84.364); the State Fiscal Stabilization Cluster: State Fiscal Stabilization Funds (SFSF) – Education State Grants, Recovery Act and State Fiscal Stabilization Funds (SFSF) – Government Services, Recovery Act (CFDA Nos. 84.394 and 84.397); State Fiscal Stabilization Funds (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395); and Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036) 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 accountant for the County Mayor's Office provided written responses on certain findings, which are paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

OFFICE OF COUNTY MAYOR

FINDING 11.01 **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS**
(A. and B. – Noncompliance Under *Government Auditing Standards*;
C. – Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Our examination revealed the following deficiencies in budget operations:

- A. Expenditures exceeded appropriations approved by the County Commission in the General Fund's Victims Assistance Programs and the General Debt Service Fund's Interest on Debt – General Government major appropriation categories (the legal level of control) by \$1,084 and \$225, respectively. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balances.
- B. Several salary line-items exceeded appropriations in the General Fund by amounts ranging from \$77 to \$5,574.
- C. The budget and subsequent amendments submitted to and approved by the County Commission for the Drug Control Fund resulted in appropriations exceeding estimated available funding by \$28,232.

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

The budget resolution approved by the County Commission states that the salary, wages, or enumeration of each official, employee, or agent of the county will not exceed expenditures that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the County Commission.

These deficiencies exist because management failed to hold spending to the limits authorized by the County Commission, which resulted in unauthorized expenditures, and management's failure to correct budgetary deficiencies noted in the prior-year audit report.

RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission. Appropriations that exceed estimated available funding should not be submitted to the County Commission, and the County Commission should not approve such appropriations.

MANAGEMENT'S RESPONSE – ACCOUNTANT FOR COUNTY MAYOR'S OFFICE

- A. Victim's Assistance Program overexpenditures: The county commissioners gave blanket approval with this fund to pay all revenues received through the courts. Since all expenditures were based on actual revenues as approved by the commissioners, there is neither an overexpenditure nor expenditure without commissioner approval. We therefore believe this should not be a finding. The object of Section 5-9-401 is to ensure that all expenditures are used as appropriated by the legislative bodies, which is what we did. We ask that this finding be removed.

The \$225 deficit in the General Debt Service Fund was a prepayment of interest due in July 2011, hence the reason why it was not budgeted. Our error was not recording it as a prepayment. If we had done so, we would not have exceeded the budget.

- B. Most of the items referred to in this part of the finding, except for the \$5,574, relate to expenditures for employee benefits with "100" object codes. It was just revealed to us that any line-item beginning with object code 100 is considered salary. The Mayor's Office was not aware that this was the case. We do not consider items that are non-compensation such as education incentives as salary. Our basis is that these items are benefits to the employees and are not included in the employee's Form W-2. We were informed by prior auditors that if an item is not salary then a budget amendment is not required as long as the total budget for the department is not over. Therefore, since we do not count them as salary, we treated them as other line-items that do not require budget amendments. In the instance for \$5,574, an accounts payable item was set up for the line-item but the necessary budget amendment was not generated to cover the expense the payable created.
- C. Drug Control Fund overexpenditures: The deficit in the Drug Control Fund was due to the fact that when the Sheriff's Department receives unbudgeted funds during the year, we typically do not make a budget amendment; however, when such funds are expended, a budget amendment is made. The effect is that there is a deficit in the expenditure budget and overage or excess revenue on the revenue side. We erroneously assumed that we only needed to have a budget amendment for the expenditure and not the revenue. We believe this is not a true deficit based on the above, and the finding should be removed.

AUDITOR'S COMMENTS

- A. Section 5-9-401, *Tennessee Code Annotated*, states that "All funds from whatever source derived ... shall be appropriated to such use by the county legislative bodies." The County Commission cannot give blanket approval for a fund or category, all expenditures must be appropriated.

- B. The budget resolution approved by the County Commission states that the salary, wages, or enumeration of each official, employee, or agent of the county will not exceed expenditures that accompany this resolution. Payments made to employees for items such as bonuses for educational achievements are considered part of their salary and should be included in the budgeted amounts plus reported to the federal government for tax purposes.
 - C. Appropriations exceeding estimated available funds should not be submitted to or approved by the County Commission since this results in a budgeted fund deficit. If sufficient estimated fund balance is not available then subsequent amendments should be made by increasing estimated revenues as well as expenditures.
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**FINDING 11.02 AMOUNTS WITHHELD FROM CONTRACTOR PAYMENTS
WERE NOT DEPOSITED INTO AN ESCROW ACCOUNT**
(Noncompliance Under *Government Auditing Standards*)

The office did not deposit amounts withheld from contractor payments into an escrow account. Section 66-34-104, *Tennessee Code Annotated*, requires that funds withheld from contractor payments be deposited into an escrow account for contracts of \$500,000 or more. This noncompliance could result in the loss of interest earnings for the contractor. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

Amounts withheld from contractor payments on contracts of \$500,000 or more should be deposited into an escrow account in compliance with state statute.

MANAGEMENT'S RESPONSE – ACCOUNTANT FOR COUNTY MAYOR'S OFFICE

The \$47,039 of retainage payable remaining at June 30, 2011, has been paid to Chancery Court since litigation regarding this contractor is pending.

**FINDING 11.03 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 \$1,146,899, in unrestricted net assets at June 30, 2011. This deficit primarily resulted from the recognition of a liability of \$2,389,305 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. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – ACCOUNTANT FOR COUNTY MAYOR'S OFFICE

The deficit is due to the mandated landfill closure reserve that was set up in prior years. The landfill department is working on ways to increase revenue and reduce the deficit.

OFFICE OF SHERIFF

FINDING 11.04 **ACCOUNTING RECORDS WERE NOT PROPERLY MAINTAINED AND RECONCILED ON A TIMELY BASIS** (Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Transactions for the period July 1, 2010, through June 30, 2011, were not posted to the cash journal in a timely manner, and bank reconciliations were not performed on a current basis. We requested the completion of these records several times during the audit until they were finally completed and provided to us in November 2011. It should also be noted that transactions subsequent to June 30, 2011, have not been posted, and bank statements have not been reconciled as of the date of this report. The cash journal is the primary financial record for the Sheriff's Department, and it should be maintained on a current basis. Sound business practices dictate that bank statements should be reconciled with general ledger amounts monthly to ensure any errors are identified and corrected promptly. This deficiency exists because management failed to ensure that accounting records were properly maintained and reconciled.

RECOMMENDATION

The office should maintain the cash journal on a current basis. Bank statements should be reconciled with the cash journal monthly.

FINDING 11.05 **PROFITS FROM THE COMMISSARY OPERATIONS WERE NOT REMITTED TO THE COUNTY TRUSTEE MONTHLY** (Noncompliance Under *Government Auditing Standards*)

Profits from commissary operations were not remitted to the county trustee monthly. The state attorney general opined in November 1989, that profits earned from commissary operations are local revenues and should be administered as any other local revenue. Section 8-24-103, *Tennessee Code Annotated*, provides that all funds earned by the Sheriff's Department should be reported to the county trustee monthly. The commissary profits were remitted only once during the year. This deficiency exists because management failed to ensure that the funds were remitted monthly to the trustee.

RECOMMENDATION

Profits generated from the operation of the jail commissary should be remitted to the county monthly.

BEST PRACTICES

The Division of County Audit strongly believes that the items noted below are best practices that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of Hardeman County.

ITEM 1. HARDEMAN COUNTY SHOULD ADOPT A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING

Hardeman County does not have a central system of accounting, budgeting, and purchasing. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort. We recommend the adoption of the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

ITEM 2. HARDEMAN COUNTY SHOULD ESTABLISH AN AUDIT COMMITTEE

Hardeman County does not have an Audit Committee. Audit committees can assist the County Commission by providing independent and objective reviews of the financial reporting process, internal controls, the audit function, and being responsible for monitoring management's plans to address various risks. County officials should establish an Audit Committee as a best practice.

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

There were no findings and questioned costs for federal awards.

**HARDEMAN COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2011**

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