



**ANNUAL FINANCIAL REPORT
HARDIN COUNTY, TENNESSEE**



FOR THE YEAR ENDED JUNE 30, 2011



ANNUAL FINANCIAL REPORT
HARDIN COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2011

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF COUNTY AUDIT
JAMES R. ARNETTE
Director

JAN PAGE, CPA, CFE
Audit Manager

LEE ANN WEST, CPA, CGFM
Auditor 4

AMANDA MARCH
JUSTIN NEAL
KELSEY SCHWEITZER
ELISHA CROWELL, CFE
State Auditors

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

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Audit Highlights

Annual Financial Report
Hardin County, Tennessee
For the Year Ended June 30, 2011

Scope

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

Results

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

Our audit resulted in nine findings and recommendations, which we have reviewed with Hardin 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

- ◆ Employees of the Solid Waste Department sold scrap metal for personal gain.
- ◆ The office had deficiencies in computer system backup procedures.

OFFICE OF HIGHWAY COMMISSIONER

- ◆ Material audit adjustments were required for proper financial statement presentation.
- ◆ Expenditures exceeded appropriations.

OFFICE OF DIRECTOR OF SCHOOLS

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

OFFICE OF CLERK AND MASTER

- ◆ The office did not review its software audit logs.
-

OFFICES OF TRUSTEE AND CLERK AND MASTER

- ◆ Multiple employees operated from the same cash drawer.
-

OFFICES OF TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF

- ◆ Duties were not segregated adequately.
-

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 Hardin County.

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

INTRODUCTORY SECTION

Hardin County Officials

June 30, 2011

Officials

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

Board of County Commissioners

Kevin Davis, County Mayor, Chairman	Jimmy Grisham
Boyce Bain	Wally Hamilton
James Berry, Jr.	Charles Holloway
Larry Byrd	Darren Howard
Nickie Cagle	Roger Jenkins
David Channell	Mike Jerrolds
David Childers	Fred McFalls, Jr.
Adam Coleman	Jonas Morris
Gary Combs	Thomas Smith
Vicky Cotner	Emery White
Mike Fowler	

Highway Commission

Kevin Davis, County Mayor, Secretary	Jamie Lee Johnson
Billy Grooms	Steve Pickens
Carter Horton	

Board of Education

David Long, Chairman	Justin Johnson
Ron Ashe	Janie Milender
James David Baker	Olga Turnbow
David Burgess	Gary Vickery
Jeanelle Dennis	Ramona Wilkerson

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

January 17, 2012

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, Tennessee, as of and for the year ended June 30, 2011, which collectively comprise Hardin County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hardin County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Park Rest Hardin County Health Center (the entire business-type activities and a major fund). Also, we did not audit the financial statements of the discretely presented Hardin Medical Center (which represent 36.3 percent and 50.4 percent, respectively, of the assets and revenues of the aggregate discretely presented component units), the discretely presented Hardin County Emergency Communications District (which represent 2.5 percent and 1.2 percent, respectively, of the assets and revenues of the aggregate discretely presented component units), or the discretely presented Hardin County Convention and Visitors Bureau (which represent .1 percent and .4 percent, respectively, of the assets and revenues of the aggregate discretely presented component units). These financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Park Rest Hardin County Health Center, Hardin Medical Center, Hardin County Emergency Communications District, and Hardin County Convention and Visitors Bureau is based on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, Tennessee, as of June 30, 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 January 17, 2012, on our consideration of Hardin County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As described in Note V.B., Hardin County has adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which became effective for the year ended June 30, 2011.

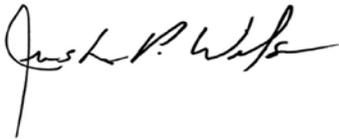
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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 100 through 108 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 Hardin 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 and Rural Debt Service funds, combining and individual fund financial statements of the Hardin County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service and Rural Debt Service funds, combining and individual fund financial statements of the Hardin 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,

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.

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Primary Government			Component Units				
	Governmental Activities	Business-type Activities	Total	Hardin County School Department	Hardin Medical Center	Emergency Communications District	Hardin County Convention and Visitors Bureau	
ASSETS								
Cash	\$ 345	\$ 268,958	\$ 269,303	\$ 227,500	\$ 8,966,295	\$ 50,651	\$ 17,765	
Equity in Pooled Cash and Investments	8,584,945	0	8,584,945	5,160,054	0	0	0	
Inventories	0	5,202	5,202	0	1,482,383	0	0	
Investments	0	0	0	0	0	282,421	0	
Accounts Receivable	82,561	164,667	247,228	32,526	7,104,866	10,741	109,314	
Due from Other Governments	1,433,457	0	1,433,457	2,037,144	0	59,193	0	
Due from Component Units	125,347	0	125,347	0	0	0	0	
Property Taxes Receivable	5,073,986	0	5,073,986	5,563,497	0	0	0	
Allowance for Uncollectible Property Taxes	(289,472)	0	(289,472)	(337,500)	0	0	0	
Prepaid Items	0	22,509	22,509	0	35,370	0	12,500	
Accrued Interest Receivable	26,905	0	26,905	0	0	0	0	
Other Current Assets	0	0	0	0	591,441	0	0	
Restricted Assets:								
Cash and Cash Equivalents	0	0	0	0	371,920	78,188	0	
Patient Trust	0	3,876	3,876	0	0	0	0	
Deferred Charges - Debt Issuance Cost	1,305,930	0	1,305,930	0	0	40,359	0	
Capital Assets:								
Assets Not Depreciated:								
Land	1,913,569	26,700	1,940,269	1,149,600	274,533	127,150	0	
Construction in Progress	0	0	0	0	1,945,214	0	0	
Assets Net of Accumulated Depreciation:								
Buildings and Improvements	11,243,854	407,744	11,651,598	43,373,492	11,097,908	1,261,257	0	
Infrastructure	11,373,192	0	11,373,192	0	0	0	0	
Other Capital Assets	1,800,265	87,177	1,887,442	1,474,599	3,094,420	541,955	727	
Total Assets	\$ 42,674,884	\$ 986,833	\$ 43,661,717	\$ 58,680,912	\$ 34,964,350	\$ 2,451,915	\$ 140,306	

(Continued)

Exhibit A

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

	Primary Government			Component Units				
	Governmental Activities	Business-type Activities	Total	Hardin County School Department	Hardin Medical Center	Emergency Communications District	Hardin County Convention and Visitors Bureau	
LIABILITIES								
Accounts Payable	\$ 211,224	\$ 28,379	\$ 239,603	\$ 737,214	\$ 1,282,459	\$ 194,201	\$ 8,126	
Accrued Management Fee	0	826,855	826,855	0	0	0	0	
Other Accrued Expenses	0	159,828	159,828	0	2,054,255	31,267	0	
Accrued Payroll	131,680	0	131,680	0	0	0	0	
Payroll Deductions Payable	10,108	0	10,108	138,849	0	0	996	
Contracts Payable	407,338	0	407,338	239,483	0	0	0	
Retainage Payable	0	0	0	10,893	0	0	0	
Due to Primary Government	0	0	0	125,347	0	0	0	
Accrued Interest Payable	196,614	0	196,614	0	0	0	0	
Other Current Liabilities	0	0	0	0	181,797	0	0	
Current Liabilities Payable from Restricted Assets:								
Patient Trust	0	3,876	3,876	0	0	0	0	
Deferred Revenue - Current Property Taxes	4,549,473	0	4,549,473	4,932,752	0	0	0	
Other Deferred Revenues	0	0	0	0	86,759	0	0	
Due to State of Tennessee	8,635	0	8,635	0	0	0	0	
Noncurrent Liabilities:								
Due Within One Year	1,820,634	0	1,820,634	166,485	619,413	25,000	0	
Due in More Than One Year	49,351,114	0	49,351,114	3,410,489	9,271,443	1,250,000	0	
Total Liabilities	\$ 56,686,820	\$ 1,018,938	\$ 57,705,758	\$ 9,761,512	\$ 13,496,126	\$ 1,500,468	\$ 9,122	
NET ASSETS								
Invested in Capital Assets, Net of Related Debt	\$ 12,349,060	\$ 0	\$ 12,349,060	\$ 45,972,446	\$ 6,521,219	\$ 655,362	\$ 0	
Invested in Capital Assets Restricted for:	0	521,621	521,621	0	0	0	727	
Solid Waste/Sanitation	596,929	0	596,929	0	0	0	0	
Drug Control	68,099	0	68,099	0	0	0	0	
Highway/Public Works	637,587	0	637,587	0	0	0	0	
Debt Service	3,457,885	0	3,457,885	0	0	78,188	0	
Resort District	86,226	0	86,226	0	0	0	0	

(Continued)

Exhibit A

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

	Primary Government		Component Units				
	Governmental Activities	Business-type Activities	Total	Hardin County School Department	Hardin Medical Center	Emergency Communications District	Hardin County Convention and Visitors Bureau
	\$ 88,813	\$ 0	\$ 88,813	\$ 0	\$ 0	\$ 0	\$ 0
Alcohol and Drug Treatment	102,279	0	102,279	0	0	0	0
Litigation Tax - Jail	0	0	0	77,443	0	0	0
School Federal Projects	0	0	0	642,302	0	0	0
Food Service	0	0	0	1,952,134	0	0	0
Capital Outlay	64,938	0	64,938	142,982	0	0	0
Other Purposes	(31,463,752)	(553,726)	(32,017,478)	132,093	14,947,005	217,897	130,457
Unrestricted							
Total Net Assets (Deficit)	\$ (14,011,936)	\$ (32,105)	\$ (14,044,041)	\$ 48,919,400	\$ 21,468,224	\$ 951,447	\$ 131,184

NET ASSETS (CONT.)

Restricted for (Cont.):

Alcohol and Drug Treatment	
Litigation Tax - Jail	
School Federal Projects	
Food Service	
Capital Outlay	
Other Purposes	
Unrestricted	

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

Exhibit B

Hardin County, Tennessee
Statement of Activities
For the Year Ended June 30, 2011

Functions/Programs	Program Revenues					Primary Government			Component Units				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Business-type Activities	Total	Hardin County		Hardin County			
								School Department	Medical Center	Emergency Communications District	Convention and Visitors Bureau		
Primary Government:													
Governmental Activities:													
General Government	\$ 959,173	\$ 233,402	\$ 33,068	\$ 0	\$ (692,703)	\$ 0	\$ (692,703)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	931,822	707,080	13,797	0	(210,945)	0	(210,945)	0	0	0	0	0	0
Administration of Justice	784,597	591,046	0	0	(193,551)	0	(193,551)	0	0	0	0	0	0
Public Safety	5,480,716	607,390	80,648	1,301,495	(3,491,183)	0	(3,491,183)	0	0	0	0	0	0
Public Health and Welfare	2,056,820	367,548	149,484	0	(1,539,788)	0	(1,539,788)	0	0	0	0	0	0
Social, Cultural, and Recreational Services	477,593	57,600	26,707	0	(393,286)	0	(393,286)	0	0	0	0	0	0
Agriculture and Natural Resources	233,914	102,311	0	0	(131,603)	0	(131,603)	0	0	0	0	0	0
Other Operations	734,829	26,822	0	0	(708,007)	0	(708,007)	0	0	0	0	0	0
Highways/Public Works	5,183,502	0	2,072,807	516,194	(2,594,501)	0	(2,594,501)	0	0	0	0	0	0
Education	885,000	0	0	0	(885,000)	0	(885,000)	0	0	0	0	0	0
Interest on Long-term Debt	2,529,237	0	2,571,016	0	41,779	0	41,779	0	0	0	0	0	0
Other Debt Service	111,652	0	0	0	(111,652)	0	(111,652)	0	0	0	0	0	0
Total Governmental Activities	\$ 20,368,855	\$ 2,693,199	\$ 4,947,527	\$ 1,817,689	\$ (10,910,440)	\$ 0	\$ (10,910,440)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Business-type Activities:													
Park Rest Hardin County Health Center	\$ 2,649,292	\$ 2,681,638	\$ 0	\$ 0	\$ 0	\$ 32,346	\$ 32,346	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Business-type Activities	\$ 2,649,292	\$ 2,681,638	\$ 0	\$ 0	\$ 0	\$ 32,346	\$ 32,346	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Primary Government	\$ 23,018,147	\$ 5,374,837	\$ 4,947,527	\$ 1,817,689	\$ (10,910,440)	\$ 32,346	\$ (10,878,094)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Component Units:													
School Department	\$ 38,012,149	\$ 703,688	\$ 5,768,298	\$ 1,254,528	\$ 0	\$ 0	\$ 0	\$ (30,285,635)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Hardin Medical Center	32,789,995	33,411,839	1,044,563	0	0	0	0	1,666,407	0	0	0	0	0
Emergency Communications District	670,175	562,698	142,791	0	0	0	0	0	0	35,314	0	0	0
Hardin County Convention and Visitors Bureau	244,228	27,810	23,000	0	0	0	0	0	0	0	0	0	(193,418)
Total Component Units	\$ 71,716,547	\$ 34,706,035	\$ 6,978,652	\$ 1,254,528	\$ 0	\$ 0	\$ 0	\$ 1,666,407	\$ 35,314	\$ 0	\$ 0	\$ 0	\$ (193,418)

(Continued)

Exhibit B

Hardin County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets									
	Program Revenues			Primary Government				Component Units		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Business-type Activities	Total	Hardin County School Department	Hardin Medical Center	Emergency Communications District	Hardin County Convention and Visitors Bureau
General Revenues:										
Taxes:										
Property Taxes Levied for General Purposes				\$ 4,461,444	\$ 0	\$ 4,461,444	\$ 5,831,304	\$ 0	\$ 0	\$ 0
Property Taxes Levied for Debt Service				207,336	0	207,336	0	0	0	0
Local Option Sales Taxes				918,875	0	918,875	3,715,817	0	0	0
Hotel Motel Tax				218,582	0	218,582	0	0	0	209,986
Wheel Tax				1,075,395	0	1,075,395	0	0	0	0
Litigation Tax				157,967	0	157,967	0	0	0	0
Business Tax				130,119	0	130,119	0	0	0	0
Mineral Severance Tax				61,242	0	61,242	0	0	0	0
Wholesale Beer Tax				377,856	0	377,856	0	0	0	0
Other Local Taxes				726	0	726	0	0	0	0
Grants and Contributions Not Restricted to Specific Programs				929,100	0	929,100	17,250,827	1,588,417	120,335	0
Unrestricted Investment Earnings				229,546	539	230,085	0	96,312	9,605	0
Miscellaneous				235,116	0	235,116	92,436	131,299	4,050	533
Total General Revenues				\$ 9,003,304	\$ 539	\$ 9,003,843	\$ 26,890,384	\$ 1,816,028	\$ 133,990	\$ 210,519
Change in Net Assets				\$ (1,907,136)	\$ 32,885	\$ (1,874,251)	\$ (3,395,251)	\$ 3,482,435	\$ 169,304	\$ 17,101
Net Assets (Deficit), July 1, 2010				(11,880,611)	(64,990)	(11,945,601)	52,252,289	17,985,789	782,143	114,083
Prior-period Adjustment				(224,189)	0	(224,189)	62,362	0	0	0
Net Assets (Deficit), June 30, 2011				\$ (14,011,936)	\$ (32,105)	\$ (14,044,041)	\$ 48,919,400	\$ 21,468,224	\$ 951,447	\$ 131,184

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

Exhibit C-1

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway /	General	Rural	Other Governmental Funds	Governmental Funds	
		Public Works	Debt Service	Debt Service			
\$	0	0	0	0	345	345	
	4,127,234	558,267	2,420,243	1,021,550	457,651	8,584,945	
	44,578	85	2,147	0	35,751	82,561	
	687,991	483,651	0	70,462	191,353	1,433,457	
	345	0	0	0	0	345	
	0	0	0	125,347	0	125,347	
	4,316,773	563,000	194,213	0	0	5,073,986	
	(249,652)	(27,924)	(11,896)	0	0	(289,472)	
	26,905	0	0	0	0	26,905	
	\$ 8,954,174	\$ 1,577,079	\$ 2,604,707	\$ 1,217,359	\$ 685,100	\$ 15,038,419	

ASSETS

Cash
 Equity in Pooled Cash and Investments
 Accounts Receivable
 Due from Other Governments
 Due from Other Funds
 Due from Component Units
 Property Taxes Receivable
 Allowance for Uncollectible Property Taxes
 Accrued Interest Receivable

LIABILITIES AND FUND BALANCES

Liabilities
 Accounts Payable
 Accrued Payroll
 Payroll Deductions Payable
 Contracts Payable
 Due to Other Funds
 Due to State of Tennessee
 Deferred Revenue - Current Property Taxes
 Deferred Revenue - Delinquent Property Taxes
 Other Deferred Revenues
 Total Liabilities

(Continued)

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

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Highway /	General		Rural Debt Service	Other		
		Public Works	Debt Service	Debt Service		Governmental Funds	Governmental Funds	
\$	988	0	0	0	0	0	988	
	1,301	0	0	0	0	0	1,301	
	31,391	0	0	0	0	0	31,391	
	126,861	0	0	0	0	68,099	194,960	
	88,813	0	0	0	0	0	88,813	
	86,226	0	0	0	0	0	86,226	
	0	287,652	0	0	0	0	287,652	
	6,676	0	0	0	0	0	6,676	
	0	0	2,316,100	1,178,954	0	0	3,495,054	
Committed:								
Committed for Administration of Justice	86,227	0	0	0	0	0	86,227	
Committed for Public Safety	797,995	0	0	0	0	0	797,995	
Committed for Public Health and Welfare	220,628	0	0	0	0	503,041	723,669	
Committed for Highways/Public Works	0	190,000	0	0	0	0	190,000	
Committed for Debt Service	0	0	106,933	0	0	0	106,933	
Assigned:								
Assigned for General Government	5,106	0	0	0	0	0	5,106	
Assigned for Finance	241	0	0	0	0	0	241	
Assigned for Administration of Justice	156	0	0	0	0	0	156	
Assigned for Public Safety	16,754	0	0	0	0	0	16,754	
Assigned for Other Purposes	86	0	0	0	0	0	86	
Unassigned	2,970,254	0	0	0	0	0	2,970,254	
Total Fund Balances	\$ 4,439,703	\$ 477,652	\$ 2,423,033	\$ 1,178,954	\$ 571,140	\$ 9,090,482		
Total Liabilities and Fund Balances	\$ 8,954,174	\$ 1,577,079	\$ 2,604,707	\$ 1,217,359	\$ 685,100	\$ 15,038,419		

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

Exhibit C-2

Hardin County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 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)		\$	9,090,482
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,913,569	
Add: buildings and improvements net of accumulated depreciation		11,243,854	
Add: infrastructure net of accumulated depreciation		11,373,192	
Add: other capital assets net of accumulated depreciation		<u>1,800,265</u>	26,330,880
(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	\$	(1,462,780)	
Less: capital leases payable		(861,388)	
Less: bonds payable		(48,185,000)	
Add: deferred charges - debt issuance costs		1,305,930	
Add: deferred charges - discount on debt issued		2,068	
Less: compensated absences payable		(148,939)	
Less: landfill postclosure care costs		(300,068)	
Less: other postemployment benefits liability		(129,602)	
Less: accrued interest on bonds, notes, and capital leases		(196,614)	
Less: other deferred revenue - premium on debt		<u>(86,039)</u>	(50,062,432)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			
			<u>629,134</u>
Net assets (deficit) of governmental activities (Exhibit A)		\$	<u><u>(14,011,936)</u></u>

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

Exhibit C-3

Hardin County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	Major Funds						Nonmajor Funds		Total Governmental Funds	
	General	Highway / Public Works		General Debt Service		Rural Debt Service		Other Governmental Funds		
<u>Revenues</u>										
Local Taxes	\$ 5,628,436	\$	550,045	\$	210,588	\$	370,300	\$	939,092	\$ 7,698,461
Licenses and Permits	101,752		0		0		0		0	101,752
Fines, Forfeitures, and Penalties	168,633		0		0		0		32,718	201,351
Charges for Current Services	43,990		0		0		0		341,287	385,277
Other Local Revenues	495,008		37,484		84,422		14,833		64,744	696,491
Fees Received from County Officials	1,230,364		0		0		0		0	1,230,364
State of Tennessee	1,463,284		2,557,018		20,358		0		17,297	4,057,957
Federal Government	588,320		999,479		0		674,696		0	2,262,495
Other Governments and Citizens Groups	179,246		0		410,197		1,698,896		9,140	2,297,479
Total Revenues	\$ 9,899,033	\$	4,144,026	\$	725,565	\$	2,758,725	\$	1,404,278	\$ 18,931,627
<u>Expenditures</u>										
Current:										
General Government	\$ 993,170	\$	0	\$	0	\$	0	\$	0	993,170
Finance	696,445		0		0		0		0	696,445
Administration of Justice	546,741		0		0		0		22,242	568,983
Public Safety	4,275,148		0		0		0		34,500	4,309,648
Public Health and Welfare	573,087		0		0		0		1,443,028	2,016,115
Social, Cultural, and Recreational Services	265,695		0		0		0		0	265,695
Agriculture and Natural Resources	180,064		0		0		0		0	180,064
Other Operations	2,162,832		0		0		0		175,794	2,338,626
Highways	0		3,966,473		0		0		0	3,966,473
Debt Service:										
Principal on Debt	200,288		2,182		972,930		1,410,000		0	2,585,400
Interest on Debt	50,010		0		574,103		1,956,015		0	2,580,128
Other Debt Service	0		0		38,288		7,389		0	45,677
Capital Projects	0		0		0		0		885,000	885,000
Total Expenditures	\$ 9,943,480	\$	3,968,655	\$	1,585,321	\$	3,373,404	\$	2,560,564	\$ 21,431,424

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Rural Debt Service	Other Governmental Funds		
Excess (Deficiency) of Revenues Over Expenditures	\$ (44,447) \$	175,371 \$	(859,756) \$	(614,679) \$	(1,156,286) \$		(2,499,797)
Other Financing Sources (Uses)							
Notes Issued	\$ 177,500 \$	0 \$	0 \$	0 \$	1,176,000 \$		1,353,500
Insurance Recovery	54,265	0	0	0	0		54,265
Transfers In	0	0	838,664	0	0		838,664
Transfers Out	(609,928)	(228,736)	0	0	0		(838,664)
Total Other Financing Sources (Uses)	\$ (378,163) \$	(228,736) \$	838,664 \$	0 \$	1,176,000 \$		1,407,765
Net Change in Fund Balances	\$ (422,610) \$	(53,365) \$	(21,092) \$	(614,679) \$	19,714 \$		(1,092,032)
Fund Balance, July 1, 2010	4,862,313	531,017	2,444,125	1,793,633	551,426		10,182,514
Fund Balance, June 30, 2011	\$ 4,439,703 \$	477,652 \$	2,423,033 \$	1,178,954 \$	571,140 \$		9,090,482

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

Exhibit C-4

Hardin County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 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)		\$ (1,092,032)
<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	\$ 1,255,248	
Less: current-year depreciation expense	<u>(2,780,562)</u>	(1,525,314)
<p>(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net assets.</p>		
Add: assets donated and capitalized		12,500
<p>(3) 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	\$ 629,134	
Less: deferred delinquent property taxes and other deferred June 30, 2010	<u>(898,769)</u>	(269,635)
<p>(4) The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items.</p>		
Less: note proceeds	\$ (1,353,500)	
Add: change in premium on debt issuance	11,227	
Less: change in deferred debt issuance costs	(60,238)	
Less: change in discount on debt issuance	(79)	
Add: principal payments on bonds	1,245,000	
Add: principal payments on notes	913,930	
Add: principal payments on capital leases	202,470	
Less: change in deferred amount on refunding debt	<u>(5,658)</u>	953,152
<p>(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.</p>		
Change in accrued interest payable	\$ 50,891	
Change in compensated absences payable	10,274	
Change in landfill postclosure care costs	1,816	
Change in other postemployment benefits liability	<u>(48,788)</u>	14,193
Change in net assets of governmental activities (Exhibit B)		<u>\$ (1,907,136)</u>

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

Exhibit D-1

Hardin County, Tennessee
Statement of Net Assets
Proprietary Fund
June 30, 2011

	Business-type Activities - Enterprise Fund
	<u>Park Rest Hardin County Health Center</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 268,958
Inventories	5,202
Accounts Receivable	164,667
Prepaid Items	22,509
Restricted Assets:	
Patient Trust	3,876
Total Current Assets	<u>\$ 465,212</u>
Noncurrent Assets:	
Capital Assets:	
Assets not Depreciated:	
Land	\$ 26,700
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	407,744
Other Capital Assets	87,177
Total Noncurrent Assets	<u>\$ 521,621</u>
Total Assets	<u>\$ 986,833</u>
<u>LIABILITIES</u>	
Liabilities	
Accounts Payable	\$ 28,379
Accrued Management Fee	826,855
Other Accrued Expenses	159,828
Current Liabilities Payable from Restricted Assets:	
Patient Trust	3,876
Total Liabilities	<u>\$ 1,018,938</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	\$ 521,621
Unrestricted	<u>(553,726)</u>
Net Assets (Deficit)	<u>\$ (32,105)</u>

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

Exhibit D-2

Hardin County, Tennessee
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2011

	Business-type Activities - Enterprise Fund
	<u>Park Rest Hardin County Health Center</u>
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
Patient Revenues	\$ 2,681,638
Total Operating Revenues	<u>\$ 2,681,638</u>
<u>Operating Expenses</u>	
Administrative	\$ 952,701
Dietary	271,750
Housekeeping	117,307
Laundry	120,000
Operation and Maintenance	175,713
Nursing	903,787
Social Service	53,693
Depreciation	54,341
Total Operating Expenses	<u>\$ 2,649,292</u>
Operating Income	<u>\$ 32,346</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 539
Total Nonoperating Revenues (Expenses)	<u>\$ 539</u>
Net Income	<u>\$ 32,885</u>
Change in Net Assets	\$ 32,885
Net Assets (Deficit), July 1, 2010	<u>(64,990)</u>
Net Assets (Deficit), June 30, 2011	<u><u>\$ (32,105)</u></u>

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

Exhibit D-3

Hardin County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2011

	Business-type Activities - Enterprise Fund
	<u>Park Rest Hardin County Health Center</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from Patient Services	\$ 2,702,331
Payments to Suppliers	(1,104,449)
Payments to Employees	(1,677,343)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (79,461)</u>
<u>Cash Flows from Investing Activities</u>	
Interest Income	\$ 539
Net Cash Provided By (Used In) Investing Activities	<u>\$ 539</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Purchase of Equipment	\$ (5,549)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (5,549)</u>
Net Increase (Decrease) in Cash	\$ (84,471)
Cash, July 1, 2010	<u>353,429</u>
Cash, June 30, 2011	<u><u>\$ 268,958</u></u>

(Continued)

Exhibit D-3

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

	Business-type Activities - Enterprise Fund
	<u>Park Rest Hardin County Health Center</u>
<u>Reconciliation of Net Operating Income to Net Cash</u>	
<u>Provided By (Used In) Operating Activities</u>	
Operating Income	\$ 32,346
Adjustments to Reconcile Net Operating Income to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	54,341
Changes in Assets and Liabilities:	
Accounts Receivable	20,693
Prepaid Insurance	3,587
Accounts Payable	(37,595)
Accrued Management Fee	(150,285)
Accrued Expenses	(2,548)
	<u>(79,461)</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ (79,461)</u>
<u>Reconciliation of Cash with the Statement of Net Assets</u>	
Cash per Net Assets	<u>\$ 268,958</u>
Cash, June 30, 2011	<u>\$ 268,958</u>

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

Exhibit E

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,432,534
Due from Other Governments	<u>507,702</u>
Total Assets	<u>\$ 1,940,236</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 507,702
Due to Litigants, Heirs, and Others	<u>1,432,534</u>
Total Liabilities	<u>\$ 1,940,236</u>

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

HARDIN COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

The Hardin Medical Center is a community medical center providing general and specialized medical services to patients. Included as part of the Hardin Medical Center is the HMC Health and Rehabilitation Center, a 73-bed intermediate and skilled care facility. The Hardin County Commission appoints the Hardin Medical Center's governing body, which also oversees the Hardin County Nursing Home. Hardin County is financially obligated to

retire general obligation bonds of the Hardin Medical Center in the event of default by the hospital.

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

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

Administrative Offices:

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

Hardin Medical Center
935 Wayne Road
Savannah, TN 38372

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

B. Government-wide and Fund Financial Statements

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

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

Hardin County issues all debt for the discretely presented Hardin County School Department. Net debt issues of \$885,000 were contributed by the county to the School Department during the year ended June 30, 2011.

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

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

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds

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

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

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

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

Hardin County reports the following major governmental funds:

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

Highway/Public Works Fund – This 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.

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

Hardin County reports the following major enterprise fund:

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

Additionally, Hardin County reports the following fund types:

Capital Projects Fund – The Education Capital Projects Fund accounts for debt issued by Hardin County that is subsequently contributed to the discretely presented Hardin County School Department for construction and renovation projects.

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

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

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

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

Education Capital Projects Fund – This fund accounts for the receipt of debt issued by Hardin County and contributed to the School Department for building construction and renovation and the acquisition of other major capital assets.

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

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

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

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

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

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

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; 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 (excluding the Park Rest Hardin County Health Center) and the discretely presented Hardin County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Fund. Hardin County and the 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. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 3.08 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 discretely presented Hardin County School Department's Education Capital Projects Fund 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 Education Capital Projects Fund.

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>
Primary Government:	
Buildings and Improvements	25
Other Capital Assets	5 - 10
Infrastructure:	
Roads	10 - 20
Bridges	30
School Department:	
Land Improvements	20
Buildings and Improvements	25
Other Capital Assets	5 - 15

4. Compensated Absences

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

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

5. Long-term Obligations

In the government-wide financial statements and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities (or proprietary fund type) Statement of Net Assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is netted against the new debt and amortized over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

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

6. Net Assets and Fund Equity

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

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

The government-wide Statement of Net Assets reports \$5,102,756 of restricted net assets, of which \$86,226 is restricted by enabling legislation.

As of June 30, 2011, Hardin County had \$36,525,280 in outstanding debt for capital purposes for the discretely presented Hardin County School Department. This debt is a liability of Hardin County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Hardin County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

In the fund financial statements, governmental funds report 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.

7. Prior-period Adjustments

At the beginning of the year, net assets of the primary government were restated and reduced \$224,189 because a capitalized lease had been omitted.

Capital assets of the discretely presented Hardin County School Department were restated \$62,362 from the prior year because a dishwasher had been omitted.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Assets

Primary Government

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Assets.

Discretely Presented Hardin County School Department

Exhibit J-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Assets.

B. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities

Primary Government

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

Discretely Presented Hardin County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers - Fees Fund (special revenue fund), which is not budgeted, and the 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, 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.

At June 30, 2011, the Hardin County School Department reported the following significant encumbrances:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
School Department:		
Major Fund:		
Education Capital Projects	School Construction	\$ 655,272

B. Expenditures Exceeded Appropriations

Expenditures exceeded total appropriations in the Highway/Public Works Fund by \$284,794.

Also, expenditures exceeded appropriations in the following major appropriation categories (the legal level of control) of the discretely presented General Purpose School Fund:

<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
Regular Instruction Program	\$ 25,445
Office of the Principal	13,882
Transportation	27,274
Early Childhood Education	4,427

Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balances.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

The county had no pooled and nonpooled investments as of June 30, 2011.

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	\$ 1,851,822	\$ 61,747	\$ 0	\$ 1,913,569
Total Capital Assets Not Depreciated	\$ 1,851,822	\$ 61,747	\$ 0	\$ 1,913,569

Governmental Activities (Cont.):

	Balance 7-1-10	Increases	Decreases	Balance 6-30-11
Capital Assets				
Depreciated:				
Buildings and				
Improvements	\$ 15,406,978	\$ 0	\$ 239,221	\$ 15,167,757
Infrastructure	38,619,786	500,000	0	39,119,786
Other Capital				
Assets	7,332,885	706,001	83,243	7,955,643
Total Capital Assets				
Depreciated	<u>\$ 61,359,649</u>	<u>\$ 1,206,001</u>	<u>\$ 322,464</u>	<u>\$ 62,243,186</u>
Less Accumulated				
Depreciation For:				
Buildings and				
Improvements	\$ 3,661,676	\$ 501,448	\$ 239,221	\$ 3,923,903
Infrastructure	26,115,657	1,630,937	0	27,746,594
Other Capital				
Assets	5,590,444	648,177	83,243	6,155,378
Total Accumulated				
Depreciation	<u>\$ 35,367,777</u>	<u>\$ 2,780,562</u>	<u>\$ 322,464</u>	<u>\$ 37,825,875</u>
Total Capital Assets				
Depreciated, Net	<u>\$ 25,991,872</u>	<u>\$ (1,574,561)</u>	<u>\$ 0</u>	<u>\$ 24,417,311</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 27,843,694</u>	<u>\$ (1,512,814)</u>	<u>\$ 0</u>	<u>\$ 26,330,880</u>

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

Governmental Activities:

General Government	\$ 8,718
Finance	15,382
Administration of Justice	11,682
Public Safety	724,912
Public Health and Welfare	160,135
Social, Cultural, and Recreational Services	97,029
Agriculture and Natural Resources	26,379
Other Operations	13,603
Highways/Public Works	<u>1,722,722</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,780,562</u>

Discretely Presented Hardin County School Department

Governmental Activities:

	* Restated			
	Balance			Balance
	7-1-10	Increases	Decreases	6-30-11
	<hr/>			
Capital Assets Not Depreciated:				
Land	\$ 1,735,570	\$ 0	\$ 585,970	\$ 1,149,600
Construction in Progress	28,732,351	0	28,732,351	0
Total Capital Assets Not Depreciated	<hr/>			<hr/>
	\$ 30,467,921	\$ 0	\$ 29,318,321	\$ 1,149,600
Capital Assets Depreciated:				
Buildings and Improvements	\$ 31,083,875	\$ 34,084,986	\$ 1,149,040	\$ 64,019,821
Other Capital Assets	4,155,025	727,736	442,123	4,440,638
Total Capital Assets Depreciated	<hr/>			<hr/>
	\$ 35,238,900	\$ 34,812,722	\$ 1,591,163	\$ 68,460,459
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 19,530,752	\$ 1,922,028	\$ 806,451	\$ 20,646,329
Other Capital Assets	3,132,832	275,330	442,123	2,966,039
Total Accumulated Depreciation	<hr/>			<hr/>
	\$ 22,663,584	\$ 2,197,358	\$ 1,248,574	\$ 23,612,368
Total Capital Assets Depreciated, Net	<hr/>			<hr/>
	\$ 12,575,316	\$ 32,615,364	\$ 342,589	\$ 44,848,091
Governmental Activities Capital Assets, Net	<hr/>			<hr/>
	\$ 43,043,237	\$ 32,615,364	\$ 29,660,910	\$ 45,997,691

* See Note I.D.7. for prior-period adjustment.

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

Governmental Activities:

Instruction	\$ 1,266,102
Support Services	659,697
Operation of Non-Instructional Services	<hr/>
	271,559
Total Depreciation Expense - Governmental Activities	<hr/>
	\$ 2,197,358

C. Construction Commitments

At June 30, 2011, the Education Capital Projects Fund had uncompleted construction contracts of \$655,272 for the construction of two new schools and renovations to existing schools. Funding for these future expenditures has been provided through the issuance of debt.

D. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 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	\$ 345
Discretely Presented School		
Department:		
General Purpose School	School Federal Projects	313,998
Employee Insurance	General Purpose School	553

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

Due to/from Primary Government and Component Unit:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
	Component Unit:	
Primary Government:	Hardin County School Department:	
Rural Debt Service	General Purpose School	\$ 125,347

Interfund Transfers:

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

Transfers Out	Transfers In General Debt Service
General Fund	\$ 609,928
Highway/Public Works Fund	228,736
Total	\$ 838,664

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

E. Capital Leases

Primary Government

Terms of capital lease obligations outstanding at June 30, 2011, were as follows:

Description	Date of Lease	Length of Lease in Years	Gross Amount of Assets	Interest Rate
Fire Trucks	6-6-03	10	\$ 427,788	4.75 %
Fire Trucks	11-21-05	10	429,882	4.75
Fire Trucks	7-31-07	10	495,000	5.38
Telephone Equipment	11-17-08	3	42,087	7.92
Fire Truck	6-28-10	10	224,189	5.1

Title to the above-noted equipment transfers to Hardin County at the end of the lease periods. Lease payments are made from the General Fund.

The assets acquired through capital leases are as follows:

Asset	Governmental Activities
Vehicles and Equipment	\$ 1,618,946
Less: Accumulated Depreciation	(1,324,690)
Total Book Value	\$ 294,256

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

Year Ending June 30	Governmental Funds
2012	\$ 209,716
2013	201,813
2014	147,083
2015	147,083
2016	115,532
2017-2020	<u>184,992</u>
Total Minimum Lease Payments	\$ 1,006,219
Less: Amount Representing Interest	<u>(144,831)</u>
 Present Value of Minimum Lease Payments	 <u><u>\$ 861,388</u></u>

Discretely Presented Hardin County School Department

Terms of capital lease obligations outstanding at June 30, 2011, were as follows:

Description	Date of Lease	Length of Lease in Years	Gross Amount of Assets	Interest Rate
Dodge Ram 2500	1-10-07	5	\$ 24,362	5.3 %
Chevrolet Silverado 2500 4x4	7-25-08	4	25,895	11.4
Chevrolet Impala LS	7-25-08	4	20,483	11.4
Chevrolet Silverado with Modified Bed	9-26-08	4	24,726	17.9

The assets acquired through capital leases are as follows:

Asset	Governmental Activities
Vehicles	\$ 95,466
Less: Accumulated Depreciation	<u>(38,028)</u>
Total Book Value	<u><u>\$ 57,438</u></u>

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

Year Ending June 30	Governmental Funds
2012	\$ 25,741
2013	1,427
Total Minimum Lease Payments	<u>\$ 27,168</u>
Less: Amount Representing Interest	<u>(1,923)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 25,245</u></u>

F. Long-term Debt

Primary Government

General Obligation Bonds and Notes

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 35 years for bonds and up to seven 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 and Rural Debt Service funds.

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

<u>Type</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-11</u>
General Obligation Bonds	2.84 to 4.125 %	\$ 49,600,000	\$ 48,185,000
Capital Outlay Notes	0 to 4.98	2,127,550	1,462,780
Capital Leases	4.75 to 7.92	1,618,946	861,388

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	\$ 1,125,000	\$ 2,375,034	\$ 3,500,034
2013	1,165,000	2,348,186	3,513,186
2014	1,195,000	2,315,789	3,510,789
2015	1,230,000	2,278,611	3,508,611
2016	1,270,000	2,235,129	3,505,129
2017-2021	7,020,000	10,386,371	17,406,371
2022-2026	8,360,000	8,722,799	17,082,799
2027-2031	6,775,000	6,838,370	13,613,370
2032-2036	8,040,000	4,964,109	13,004,109
2037-2041	7,265,000	2,741,926	10,006,926
2042-2044	4,740,000	590,000	5,330,000
Total	\$ 48,185,000	\$ 45,796,324	\$ 93,981,324

Year Ending June 30	Notes		
	Principal	Interest	Total
2012	\$ 440,930	\$ 42,640	\$ 483,570
2013	389,650	29,131	418,781
2014	347,150	17,022	364,172
2015	200,150	5,951	206,101
2016	80,950	1,087	82,037
2017	3,950	0	3,950
Total	\$ 1,462,780	\$ 95,831	\$ 1,558,611

There is \$3,601,987 available in the debt service funds to service long-term debt. Bonded debt per capita totaled \$1,851, based on the 2010 federal census. Debt per capita, including bonds, notes, and capital leases totaled \$1,942, 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:

	Bonds	Notes	Capital Leases
Restated Balance, July 1, 2010*	\$ 49,430,000	\$ 1,023,210	\$ 1,063,858
Additions	0	1,353,500	0
Deductions	(1,245,000)	(913,930)	(202,470)
Balance, June 30, 2011	<u>\$ 48,185,000</u>	<u>\$ 1,462,780</u>	<u>\$ 861,388</u>
Balance Due Within One Year	<u>\$ 1,125,000</u>	<u>\$ 440,930</u>	<u>\$ 168,317</u>

* See Note I.D.7. for prior-period adjustment of capital leases.

	Compensated Absences	Landfill Postclosure Care Costs	Other Postemployment Benefits
Balance, July 1, 2010	\$ 159,213	\$ 301,884	\$ 80,814
Additions	160,682	2,971	68,192
Deductions	(170,956)	(4,787)	(19,404)
Balance, June 30, 2011	<u>\$ 148,939</u>	<u>\$ 300,068</u>	<u>\$ 129,602</u>
Balance Due Within One Year	<u>\$ 81,599</u>	<u>\$ 4,788</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	\$ 51,087,777
Less: Balance Due Within One Year	(1,820,634)
Add: Unamortized Premium on Debt	86,039
Less: Deferred Discount on Debt	<u>(2,068)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 49,351,114</u>

Compensated absences and other postemployment benefits will be paid from the employing funds, primarily the General and Highway/Public Works funds. Landfill postclosure care costs will be paid from the Solid Waste/Sanitation Fund.

Discretely Presented Hardin County School Department

Capital leases outstanding as of June 30, 2011, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-11
Capital Leases	5.3 to 17.9 %	\$ 95,466	\$ 25,245

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Hardin County School Department for the year ended June 30, 2011, was as follows:

Governmental Activities:

	Capital Leases	Compensated Absences
Balance, July 1, 2010	\$ 48,544	\$ 450,838
Additions	0	86,804
Deductions	(23,299)	(104,731)
Balance, June 30, 2011	\$ 25,245	\$ 432,911
Balance Due Within One Year	\$ 23,849	\$ 142,636

	Other Postemployment Benefits
Balance, July 1, 2010	\$ 2,296,839
Additions	1,141,706
Deductions	(319,727)
Balance, June 30, 2011	\$ 3,118,818
Balance Due Within One Year	\$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	\$ 3,576,974
Less: Balance Due Within One Year	(166,485)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	\$ 3,410,489

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

G. On-Behalf Payments

Primary Government

The State of Tennessee pays health insurance premiums for some retired employees on-behalf of Hardin 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 \$1,724. The county has recognized these on-behalf payments as revenues and expenditures in the General Fund.

Discretely Presented Hardin County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Hardin County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2011, were \$113,404 and \$31,429, 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

Liability, Property, and Casualty

Hardin 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, and casualty 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.

Workers' Compensation Insurance

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

Employee Health Insurance

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

Discretely Presented Hardin County School Department

Liability, Property, Casualty, and Workers' Compensation Insurance

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

Employee Health Insurance

The discretely presented Hardin County School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, *TCA*, all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. Section 8-27-303, *TCA*, provides for the LEGIF to be self-sustaining through member premiums.

Employee Dental Insurance

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

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

Employee Insurance Fund

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Estimates	Payments	Balance at Fiscal Year-end
2009-10	\$ 9,878	\$ 244,944	\$ 246,903	\$ 7,919
2010-11	7,919	238,859	236,185	10,593

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. Hardin County and the Hardin County School Department have

implemented provisions of this statement in the financial statements of this report for their governmental funds.

C. Subsequent Events

On September 30, 2011, Hardin County issued capital outlay notes totaling \$417,253 for five school buses.

On November 18, 2011, Hardin County entered into a capital lease agreement totaling \$96,470 for three Ford Crown Victoria's.

On December 7, 2011, Hardin County entered into a capital lease agreement totaling \$34,529 for a Ford F-250.

On December 9, 2011, Hardin County issued capital outlay notes totaling \$1,074,000 for various renovation projects.

D. Contingent Liabilities

Hardin County is contingently liable for an \$8,000,000 loan agreement dated July 29, 2003, for improvements to the Hardin Medical Center. Hardin County would become liable for this loan and the interest thereon in the event of default by the medical center. The principal of this loan agreement is reflected on the financial statements of the Hardin Medical Center. As of June 30, 2011, \$1,590,000 has been repaid leaving a balance of \$6,410,000. Future principal requirements for the entire loan at June 30, 2011, were \$6,410,000. The loan is repayable at a variable interest rate that is determined by the remarketing agent weekly. At June 30, 2011, the variable interest rate was .35 percent.

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 county's financial statements.

E. Landfill Postclosure Care Costs

Hardin County and the City of Savannah have an active permit on file with the state Department of Environment and Conservation for a sanitary landfill. The county and city have 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 entities to place a final cover on their 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. Hardin County and the City of Savannah closed their sanitary landfill in 1998. Hardin County and the City of Savannah each agreed to pay 50 percent of the postclosure costs. The \$300,068 reported as postclosure care liability at June 30, 2011, represents the county's 50 percent share of the amounts based on what it would cost to perform all postclosure care in 2011. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

F. Joint Venture

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

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

Administrative Office:

Twenty-fourth Judicial District Drug Task Force
165 Mockingbird Avenue
Henry, TN 38231

G. Retirement Commitments

Plan Description

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

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

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

Funding Policy

Hardin County requires employees to contribute five percent of their earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2011, was 9.99 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 \$740,026 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 frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected postretirement increases of 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 13 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	\$740,026	100%	\$0
6-30-10	653,202	100	0
6-30-09	618,892	100	0

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 81.37 percent funded. The actuarial accrued liability for benefits was \$17.8 million, and the actuarial value of assets was \$14.5 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$3.3 million. The covered payroll (annual payroll of active employees covered by the plan) was \$7 million, and the ratio of the UAAL to the covered payroll was 48 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 Hardin County School Department contributes to the State Employees, Teachers, and Higher Education Employees' Pension Plan (SETHEEPP), a cost-sharing multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service.

Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. 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 \$1,323,942, \$924,414, and \$923,073, respectively, equal to the required contributions for each year.

H. Other Postemployment Benefits (OPEB)

Plan Description

Hardin County and the Hardin County School Department participate in the state-administered Local Government Group Insurance Plan and the Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-207, *Tennessee Code Annotated (TCA)*, for the local government and Section 8-27-302, *TCA*, for teachers and support personnel. 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 plans are 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 plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year ended June 30, 2011, Hardin County and the discretely presented School Department contributed \$19,404 and \$319,727, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
	<hr/>	<hr/>
ARC	\$ 1,139,000	\$ 68,000
Interest on the NPO	51,255	3,637
Adjustment to the ARC	(48,549)	(3,445)
Annual OPEB cost	<hr/> \$ 1,141,706	<hr/> \$ 68,192
Less: Amount of contribution	(319,727)	(19,404)
Increase/decrease in NPO	<hr/> \$ 821,979	<hr/> \$ 48,788
Net OPEB obligation, 7-1-10	<hr/> 2,296,839	<hr/> 80,814
Net OPEB obligation, 6-30-11	<hr/> <hr/> \$ 3,118,818	<hr/> <hr/> \$ 129,602

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-09	Local Education Group	\$ 1,061,890	27%	\$ 1,513,416
6-30-10	"	1,132,685	27	2,296,839
6-30-11	"	1,141,706	28	3,118,818
6-30-09	Local Government Group	36,905	64	33,241
6-30-10	"	66,749	28	80,814
6-30-11	"	68,192	28	129,602

Funded Status and Funding Progress

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

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-10	7-1-10
Actuarial accrued liability (AAL)	\$ 9,670,000	\$ 574,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 9,670,000	\$ 574,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 14,746,624	\$ 4,416,429
UAAL as a % of covered payroll	66%	13%

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 for the Local Education Plan, 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 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 annual healthcare cost trend rate for the Local Government Plan was 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. All rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

I. Purchasing Laws

Office of County Mayor

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

Office of Highway Commissioner

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

Office of Director of Schools

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

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

A. **General Information**

1. **General**

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

2. **Fund Accounting**

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

Proprietary Funds

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

3. **Reporting Entity**

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

nursing home revenues were the source of repayment for bonds issued to finance construction of the facility.

B. Summary of Significant Accounting Policies

1. Measurement Focus and Basis of Accounting

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

Inventory

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

Property and Equipment

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

2. GASB Conformity

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

3. Cash and Cash Equivalents

Cash and cash equivalents, as used in the Statement of Cash Flows, include demand deposit accounts and certificates of deposit with

maturities of three months or less when purchased, in accordance with Governmental Accounting Standards Board Statement No. 9.

4. Operating Revenues/Expenses

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

C. Related-party Transactions

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

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

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

The county has contracted with the owner of Hardin Home to manage Park Rest. The management fee is seven percent of the gross revenues received by the facility from all sources and totaled \$187,715 in 2011.

Park Rest is responsible to pay the county a monthly administrative fee equal to one percent of gross revenues. For 2011, that fee totaled \$26,816.

D. Risk Management

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

E. Custodial Credit Risk – Deposits

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

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

As of June 30, 2011, Park Rest's deposits at year-end were not exposed to custodial credit risk due to being entirely covered by federal depository insurance.

F. Concentration of Credit Risk

Approximately 95 percent of the patients in Park Rest participate in the Medicaid program. As a result, a portion of their care is paid for by the State of Tennessee. At June 30, 2011, approximately 88 percent of the accounts receivable balance was due from the State of Tennessee under the Medicaid program.

G. Compensated Absences

Each employee earns one week of vacation after one year of employment and two weeks of vacation after ten years of employment. An employee is paid for accrued vacation only if the employee is laid off. Unused accrued vacation is forfeited by the employee at the end of each calendar year.

H. Trust Funds

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

I. Capital Assets

Capital assets activity for the year ended June 30, 2011, was as follows:

	Balance 7-1-10	Increases	Balance 6-30-11
Capital Assets Not Depreciated:			
Land	\$ 26,700	\$ 0	\$ 26,700

Capital Assets (Cont.)	Balance 7-1-10	Increases	Balance 6-30-11
Capital Assets Depreciated:			
Building and Improvements	\$ 1,146,153	\$ 1,848	\$ 1,148,001
Furniture and Fixtures	84,692	825	85,517
Equipment	320,533	2,876	323,409
Total Capital Assets Depreciated	<u>\$ 1,551,378</u>	<u>\$ 5,549</u>	<u>\$ 1,556,927</u>
Less Accumulated Depreciation For:			
Building and Improvements	\$ (709,438)	\$ (30,819)	\$ (740,257)
Furniture and Fixtures	(49,538)	(4,059)	(53,597)
Equipment	(248,689)	(19,463)	(268,152)
Total Accumulated Depreciation	<u>\$ (1,007,665)</u>	<u>\$ (54,341)</u>	<u>\$ (1,062,006)</u>
Total Capital Assets Depreciated, Net	<u>\$ 543,713</u>	<u>\$ (54,341)</u>	<u>\$ 494,921</u>
Total Capital Assets, Net	<u>\$ 570,413</u>	<u>\$ (48,792)</u>	<u>\$ 521,621</u>

Fully depreciated assets at June 30, 2011, totaled \$344,316.

J. Estimates and Assumptions

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

VII. OTHER NOTES – DISCRETELY PRESENTED HARDIN MEDICAL CENTER

A. Nature of Operations

Hardin Medical Center (HMC) is a community medical center located in Savannah, Tennessee, providing general and specialized medical services to patients. The Hardin County Commission is responsible for appointing each member of the medical center's Board of Commissioners. Included as part of the Hardin Medical Center is the HMC Health and Rehabilitation Center (HMCHRC), which is an intermediate and skilled care facility.

B. Summary of Significant Accounting Policies

1. Basis of Presentation

The medical center utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis. Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the medical center has elected to apply the provisions of all relevant pronouncements of Financial Accounting Standards Board (FASB) and predecessor standard setting organizations, including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

2. Cash, Cash Equivalents, and Investments

For the purpose of the Statement of Cash Flows, cash and cash equivalents are defined as cash on hand or in banks and investments with original maturities at date of purchase of less than three months.

Cash and cash equivalents include cash on hand and certificates of deposit with original maturities of less than three months with financial institutions. Investments consist of certificates of deposit with original maturities of greater than three months. Those investments with original maturities greater than three months but less than one year are classified as short-term investments, while the remaining amount is classified as long-term. All of the medical center's cash and cash equivalents and certificates of deposit are insured or collateralized by securities held by the financial institutions' trust department in the medical center's name.

At June 30, 2011, the total carrying value of the medical center's cash, cash equivalents, and investments was \$9,338,215, and the bank balance was \$9,344,220. The entire financial institution balance was covered by federal depository insurance or by collateral held by the trustee in the medical center's name.

3. Inventories

Inventories are stated at the lower of cost, determined on the first-in, first-out (FIFO) basis, or market (net realizable value).

4. Patient Accounts Receivable

The medical center reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients, and others. The medical center provides an allowance for uncollectible

accounts based on a review of outstanding receivables, historical collection information and existing economic conditions.

5. Fair Value Measurements

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, fair value accounting standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity including quoted market prices in active markets for identical assets (Level 1), or significant other observable inputs (Level 2), and the reporting entity's own assumptions about market participant assumptions (Level 3). The medical center had approximately \$3,700,000 as of June 30, 2011, in certificates of deposit that would be classified as Level 2 under the hierarchy above. The medical center does not have any fair value measurements using significant unobservable inputs (Level 3) as of June 30, 2011.

6. Property and Equipment

Property and equipment acquisitions are recorded at cost. The medical center capitalizes purchases that cost a minimum of \$5,000 and have a useful life greater than one year. Assets are depreciated on a straight-line basis over their estimated useful lives as follows: land improvements 5-30 years; buildings and improvements 5-50 years; equipment 3-20 years; and furniture and fixtures 5-30 years. Assets under capital lease obligations are included in property and equipment and the related amortization and accumulated amortization are included in depreciation and amortization expense and accumulated depreciation and amortization, respectively.

Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

7. Restricted Cash

Restricted cash is designated by the Board of Commissioners for future capital improvements over which the board retains control and may at its discretion use for other purposes.

8. **Physician Guarantees**

The medical center has entered into agreements with local physicians whereby it will guarantee monthly income, subject to stated maximums. The loans are to be forgiven if the physicians maintain a practice in the area for specified terms. At June 30, 2011, physician guarantees totaled \$459,999 and are included in other assets within the Statement of Net Assets.

9. **Patient Service Revenue**

The medical center has agreements with third-party payors that provide for payments to the medical center at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Patient service revenue is net of contractual adjustments and policy discounts of approximately \$34 million for the year ended June 30, 2011. Approximately 38 percent of net patient service revenue was from Medicare for the year ended June 30, 2011. Approximately 17 percent of net patient service revenue was from Medicaid/TennCare for the year ended June 30, 2011.

The medical center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the medical center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

10. **Employee Benefit Plans**

Medical center employees are covered under the Tennessee Consolidated Retirement System, a defined benefit plan, or a 403(b) defined contribution plan. The medical center's costs are charged to expense and funded annually.

11. **Compensated Absences**

The medical center provides full-time employees with paid days off for holiday, vacation, sick, and bereavement absences. The qualifying date for receiving annual vacation is the employees' full-time

anniversary date and is based on the following table . Such days may be taken only after the employee has earned them. All earned days must be taken within 24 months from the anniversary date earned. Such liabilities have been accrued in the accompanying Statement of Net Assets.

<u>Years of Service</u>	<u>Days Earned Per Year</u>
1-7	10
8-15	15
16 or more	20

Employees accrue sick days on their three-month anniversary date and one sick day per month thereafter. No payment is made for accumulated sick leave when an employee terminates employment.

12. Risk Management

The medical center is exposed to various risks of loss from medical malpractice; torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; and natural disasters. Commercial insurance is purchased for claims arising from such matters. The medical center is self-insured for employee health and workers' compensation claims and judgments as discussed in Note VII. L.

13. Net Assets

All resources not restricted by donors are included in unrestricted net assets. Resources temporarily restricted by donors for specific purposes are reported as temporarily restricted net assets. When specific purposes are achieved, either through passage of a stipulated time or the purpose for restriction is accomplished, they are classified to unrestricted net assets and reported in the statement of revenues, expenses, and changes in net assets. Resources temporarily restricted by donors for additions to land, building and equipment are initially reported as temporarily restricted net assets and are transferred to unrestricted net assets when expended. Donor-imposed restrictions, which stipulate that the resources be maintained permanently are reported as permanently restricted net assets. Investment income for permanently restricted net assets is classified as either temporarily restricted or unrestricted based on the intent of the donor. As of June 30, 2011, there were no permanently or temporarily restricted net assets.

14. Income Taxes

The medical center is a not-for-profit corporation as described in Chapter 176 of the Private Acts and is exempt from federal income taxes pursuant to Section 115 of the Internal Revenue Code.

15. Performance Indicator

Excess of revenue over expenses (expenses over revenue) reflected in the accompanying Statements of Revenue, Expenses, and Changes in Net Assets is a performance indicator.

16. New Accounting Pronouncements

In August 2010, accounting standards relating to the presentation of insurance claims and related insurance recoveries for health care entities were amended to require the entity to recognize an insurance receivable at the same time that it recognizes the liability, measured on the same basis of the liability. These amendments are effective for financial statements for fiscal years beginning after December 15, 2010. Therefore, the medical center expects to adopt these standards at the beginning of fiscal year 2012.

In August 2010, accounting standards relating to the disclosure of charity care for health care entities were amended to require the entity to measure charity care based on the direct and indirect costs of providing the charity care. These amendments are effective for financial statements for fiscal years beginning after December 15, 2010. Therefore the medical center expects to adopt these standards at the beginning of fiscal year 2012.

The medical center is currently assessing the impact of adopting these accounting standards.

17. Use of Estimates

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

18. Events Occurring after Reporting Date

The medical center has evaluated events and transactions that occurred between June 30, 2011, and December 5, 2011, which is the

date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

C. Third-party Reimbursement Programs

The medical center receives revenue under various third-party reimbursement programs which include Medicare, Medicaid, TennCare, and other third-party payors. Contractual adjustments under third-party reimbursement programs represent the difference between the medical center's billings at its established rates and the amounts reimbursed by third-party payors. They also include any differences between estimated third-party reimbursement settlements for prior years and subsequent tentative or final settlements. The adjustments resulting from tentative or final settlements to estimated reimbursement amounts resulted in an increase (decrease) to patient service revenue of approximately \$68,000 for the year ended June 30, 2011.

1. Medicare

The medical center receives payment for substantially all services rendered to inpatient Medicare program beneficiaries under prospectively determined rates-per-discharge. Those rates vary according to a classification system that is based on clinical, diagnostic, and other factors. The medical center receives payment for outpatient and emergency medical services under a Medicare program known as the Ambulatory Payment Classification (APC) system. Under the APC system, outpatient services are classified into APC categories based on standard procedure codes for the service provided and payment for the APC categories are determined using prospectively determined federal payment rates adjusted for geographical area wage differences. The medical center receives cash payments at an interim rate with final settlement determined after the medical center's submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The medical center's classification of patients under the Medicare Prospective Payment System and the appropriateness of the patients' admissions are subject to validation reviews by the Medicare peer review organization.

2. Medicaid

The Medicaid program reimburses HMCHRC for the cost of services rendered to Medicaid beneficiaries at a prospective rate, which is based on the lower of the reimbursable cost of services rendered or a reimbursement cap set by Medicaid. The reimbursement cap is expressed as a per diem.

3. TennCare

The State of Tennessee TennCare program is a managed care program, which provides healthcare coverage to those previously eligible for Medicaid as well as the uninsured population. The medical center contracts with various managed care organizations, which offer both Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) healthcare products. Reimbursement to the medical center is received through per diems, Diagnosis-Related Group payments and discounted fee for service.

4. Commercial Payors

The medical center has entered into payment agreements with certain commercial insurance carriers, HMO's, and PPO's. The basis for payment to the medical center under these agreements includes prospectively determined rates per discharge and discounts from established rates.

5. Credit Concentration

The medical center grants credit to patients and generally does not require collateral or other security in extending credit; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies. At June 30, 2011, the medical center had net receivables from the federal government (Medicare) of approximately \$2,590,000, and from Medicaid/TennCare of approximately \$970,000.

D. Charity Care

Charges excluded from revenue under the medical center's charity care policy were \$1,759,317 for the year ended June 30, 2011.

E. Inventories

A summary of inventories as of June 30, 2011, is as follows:

Pharmacy	\$ 495,453
Dietary	19,289
Departmental	<u>967,641</u>
	<u>\$ 1,482,383</u>

F. Property and Equipment

The major classifications and changes in property and equipment for the year ended June 30, 2011, are as follows:

	Balance 7-1-10	Increases	Decreases	Balance 6-30-11
Capital Assets Not Depreciated:				
Land	\$ 224,500	\$ 50,033	\$ 0	\$ 274,533
Construction in Progress	1,093,736	3,162,006	2,310,528	1,945,214
Total Capital Assets Not Depreciated	<u>\$ 1,318,236</u>	<u>\$ 3,212,039</u>	<u>\$ 2,310,528</u>	<u>\$ 2,219,747</u>
Capital Assets Depreciated:				
Land Improvements	\$ 317,090	\$ 0	\$ 0	\$ 317,090
Buildings	14,255,318	2,360,249	0	16,615,567
Equipment	12,989,702	873,837	0	13,863,539
Furniture and Fixtures	309,770	0	0	309,770
Assets Under Capital Lease	2,853,852	0	0	2,853,852
Total Capital Assets Depreciated	<u>\$ 30,725,732</u>	<u>\$ 3,234,086</u>	<u>\$ 0</u>	<u>\$ 33,959,818</u>
Less Accumulated Depreciation For:				
Land Improvements	\$ 282,039	\$ 15,722	\$ 0	\$ 297,761
Buildings	5,117,457	400,202	0	5,517,659
Equipment	10,531,588	733,490	0	11,265,078
Furniture and Fixtures	185,175	20,978	0	206,153
Assets Under Capital Lease	2,246,655	234,184	0	2,480,839
Total Accumulated Depreciation	<u>\$ 18,362,914</u>	<u>\$ 1,404,576</u>	<u>\$ 0</u>	<u>\$ 19,767,490</u>
Total Capital Assets Depreciated, Net	<u>\$ 12,362,818</u>	<u>\$ 1,829,510</u>	<u>\$ 0</u>	<u>\$ 14,192,328</u>
Total Capital Assets, Net	<u><u>\$ 13,681,054</u></u>	<u><u>\$ 5,041,549</u></u>	<u><u>\$ 2,310,528</u></u>	<u><u>\$ 16,412,075</u></u>

The medical center is in the process of constructing various additions and improvements to the existing facilities. The total cost of these projects is expected to be approximately \$2,300,000. Interest costs of approximately \$55,000 were capitalized during the year ended June 30, 2011.

G. Ambulance Service

Hardin County paid the construction cost of a building to house ambulance facilities and has also purchased ambulances and related equipment, but the medical center is responsible for operating the ambulance service. Expenditures by the county since the medical center began operating the ambulance service in 1997, amounts to \$1,438,963 at June 30, 2011. This amount is not reflected within property and equipment in the accompanying financial statements. In addition, the county provides an annual subsidy to

defray costs incurred in operating the ambulance service. For the year ended June 30, 2011, the annual subsidy was \$100,066. This annual allocation is in addition to the cumulative expenditures mentioned above.

H. Long-term Debt

The major types and changes in the medical center’s long-term debt for the year ended June 30, 2011, is as follows:

	Balance 7-1-10	Increases	Decreases	Balance 6-30-11	Due Within One Year
Tennessee Valley - Electric Cooperative Series 2007	\$ 197,500	\$ 0	\$ (30,000)	\$ 167,500	\$ 30,000
Tennessee Valley - Electric Cooperative Series 2010	0	740,000	0	740,000	61,668
Public Building Authority of the County of Montgomery - Series 2003	6,634,000	0	(224,000)	6,410,000	231,000
Other	0	16,666	(5,896)	10,770	10,770
Total	\$ 6,831,500	\$ 756,666	\$ (259,896)	\$ 7,328,270	\$ 333,438

During January 2007, the medical center borrowed \$300,000 from the Tennessee Valley Electric Cooperative under the Rural Economic Loan and Grant Program. The proceeds were used to finance new computer software. The note bears no interest and principal is to be repaid in monthly installments of \$2,500 through January 2017. Security is a certificate of deposit and an irrevocable standby letter of credit.

During July 2010, the medical center borrowed an additional \$740,000 from the Tennessee Valley Electric Cooperative under the Rural Economic Loan and Grant Program. The proceeds were used to finance construction on the cancer treatment center. The note bears no interest and principal is to be repaid in monthly installments of \$6,852 through September 2010. Security is a certificate of deposit and an irrevocable standby letter of credit.

During July 2003, the medical center entered into a loan agreement with the Public Building Authority of the County of Montgomery, Tennessee, (Building Authority) whereby, the building authority loaned the medical center \$8 million for improvements to the medical center. The loan agreement bears interest at an adjustable rate (.35 percent as of June 30, 2011) and is due May 25, 2031. The adjustable interest rate is adjusted weekly as determined by the remarketing agent. The loan is guaranteed by Hardin County.

Pursuant to the agreements for the building authority loans, if the principal of all bonds issued under such loans are accelerated, and the bonds are paid by the remarketing agent, the repayment schedule applicable to such loans shall be recalculated over a term of 60 months from the date of such acceleration. The interest rate on the loan amounts after such acceleration shall adjust to the prime rate as defined in the agreements.

A summary of approximate future maturities and interest of long-term debt as of June 30, 2011, is as follows:

Year Ending June 30	Principal	Estimated Interest	Total Payments
2012	\$ 333,438	\$ 8,000	\$ 341,438
2013	350,000	7,000	357,000
2014	358,000	7,000	365,000
2015	367,000	7,000	374,000
2016	375,000	7,000	382,000
2017-2021	1,821,000	28,000	1,849,000
2022-2026	1,714,000	18,000	1,732,000
2027-2031	2,009,832	7,000	2,016,832
Total	\$ 7,328,270	\$ 89,000	\$ 7,417,270

I. Capital Lease Obligations

The medical center has entered into capital lease agreements to finance the acquisition of certain equipment.

The medical center's obligation under these capital lease agreements is as follows:

Minimum lease payments payable	\$ 3,354,888
Less: portion representing interest	<u>792,302</u>
Capital lease obligations	\$ 2,562,586
Less: current portion	<u>285,975</u>
Long-term portion	<u><u>\$ 2,276,611</u></u>

Approximate future minimum annual lease payments payable under the capital lease agreements as of June 30, 2011 are as follows:

Year Ending
June 30

2012	\$ 410,000
2013	410,000
2014	204,000
2015	204,000
2016	204,000
2017 and later	<u>1,922,888</u>
Total minimum lease payments	\$ 3,354,888
Less: amount representing interest	<u>792,302</u>
Present value of minimum lease payments under capital leases	\$ 2,562,586
Less: current portion	<u>285,975</u>
Capital lease obligations, excluding current portion	<u><u>\$ 2,276,611</u></u>

J. Deferred Revenue

At June 30, 2011, HMCHRC had deferred revenue amounting to \$86,759 related to prepayments of July 2011 private pay rent.

K. Employee Benefit Plans

1. TCRS Pension Plan

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

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

Effective July 1, 2008, the medical center closed the plan to new participants. Those employees who were employed by the medical center prior to July 1, 2008, are still eligible to accrue salary and service credit in TCRS. The medical center is responsible to continue to fund the retirement cost of the plan.

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/tcrs/PS/>.

Funding Policy

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

The medical center is required to contribute at an actuarially determined rate; the rate for the year ended June 30, 2011, was 11.96 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. Contribution requirements for the medical center are established and may be amended by the TCRS Board of Trustees.

Annual Cost

For the year ended June 30, 2011, the medical center's annual pension cost of \$406,156 to TCRS was equal to its annual required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation using the initial liability actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected postretirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The medical center's unfunded actuarial accrued liability is

being amortized as a level dollar amount on a closed basis. The remaining amortization period as of July 1, 2009, was six years.

As of July 1, 2009, the most recent actuarial valuation date, the plan was 88.19 percent funded. The actuarial accrued liability for benefits was \$25.87 million, and the actuarial value of assets was \$22.82 million, resulting in unfunded actuarial accrual liability (UAAL) of \$3.06 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4.78 million, and the ratio of the UAAL to the covered payroll was 63.88 percent.

2. Deferred Contribution Plan

During July 2008, the medical center began providing a 403(b) plan, which covers full-time employees who choose not to participate, or are not allowed to participate, in the defined benefit pension plan described above. The medical center contributes three percent of compensation plus it will match half of each employee's contribution (up to an additional three percent). The total retirement plan expense associated with this plan for the year ended June 30, 2011, was \$393,281.

L. Commitments and Contingencies

The medical center leases various equipment and space under operating lease agreements. Rent expense was \$300,124 in 2011. The medical center does not have any material future minimum payments as a majority of the leases are on month-to-month terms. It is expected that in the normal course of business, leases that expire will be renewed or replaced by other leases; thus, it is anticipated that future lease payments will not be less than the expense for 2011.

The medical center generates rental income primarily from operating leases of medical office buildings and houses. Rental income was \$78,067 in 2011 and is included in other operating revenue. Lease terms are yearly or month-to-month.

The medical center maintains commercial insurance on a claims-made basis for medical malpractice liabilities. Insurance coverages are \$1,000,000 individually and \$3,000,000 in the aggregate annually, which is consistent with current litigation settlement limitations established by the State of Tennessee for governmental entities. Management intends to maintain such coverages in the future. The medical center is involved in litigation arising in the ordinary course of business; however, management is of the opinion that insurance coverages are adequate to cover any potential losses on asserted claims. Management is unaware of any incidents, which would ultimately result in a loss in excess of the medical center's insurance coverages.

The medical center is self-insured for a portion of employee medical and other healthcare benefits and workers' compensation claims. The risk of loss retained by the medical center is limited to \$50,000 per year for each employee's medical claims. The medical center has purchased excess insurance to provide coverage for claims in excess of the self-insured plan. Claims expenditures and liabilities are reported under the self-insurance plan when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Reserves included within accrued expenses related to employee medical and other healthcare benefits amounted to \$278,255 in 2011.

Management continues to implement policies, procedures, and compliance overview organizational structure to enforce and monitor compliance with the Health Insurance Portability and Accountability Act of 1996 and other government statues and regulations. The medical center's compliance with such laws and regulations is subject to future government review and interpretations, as well as regulatory actions, which are unknown or unasserted at this time.

The Centers for Medicare and Medicaid Services (CMS) have implemented a Recovery Audit Contractors (RAC) program. The purpose of the program is to reduce improper Medicare payments through the detection and recovery of overpayments. CMS has engaged subcontractors to perform these audits, and they are being compensated on a contingency basis based on the amount of overpayments that are recovered. While management believes that all Medicare billings are proper and adequate support is maintained, certain aspects of Medicare billing, coding, and support are subject to interpretation and may be viewed differently by the RAC auditors.

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

A. General Information

Hardin County Emergency Communication District provides 911 emergency assistance to persons living in Hardin County. The district is a component unit of Hardin County. Accordingly, this financial data is incorporated into the county's financial statements. Board members are appointed by the county mayor. Additionally, any bonded indebtedness by the district is subject to the approval of the Hardin County Commission. Hardin County and the cities of Savannah, Saltillo, and Crump are billed for dispatching services (these revenues provide funding for the dispatchers' salaries).

B. Summary of Significant Accounting Policies

1. GASB Conformity

The financial statements included herein are prepared in conformity with generally accepted accounting principles as set forth in the

pronouncements of the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 20 – *Election of a Reporting Method* – requires the district to elect either (1) all provisions of the Financial Accounting Standards Board (FASB) issued prior to 1989 for proprietary type funds, or (2) all the provisions of FASB regardless of the issue date for proprietary type funds. The district has elected to adopt only the provisions of FASB prior to 1989.

2. Measurement Focus and Basis of Accounting

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

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

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

3. Cash and Cash Equivalents

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

4. Receivables

Receivables consist of all revenues earned at year-end and not yet received. Balances reported at year-end include telephone wireless fees due from phone companies, dispatching revenue due from the county and the city, and wireless charges due to the State of Tennessee.

5. Restricted Assets

Certain proceeds of bond issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts, and their use is limited by applicable bond covenants.

6. Bond Discounts/Issuance Costs

Bond discounts and issuance costs are deferred and amortized over the term of the bonds using the straight-line method if it does not differ materially from the interest method.

7. Capital Assets

All capital assets of the district are recorded at original cost, except for donated equipment, which is recorded at fair market value. Expenses, which materially increase values or capacities, or extend useful lives of these assets are capitalized while expenses for maintenance and repairs are charged to operations as incurred. Any related interest cost is also added to the cost of the asset as appropriate.

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

8. Vacation Leave

Vacation leave time for employees of the district is earned each pay period. Vacation time can be carried over from one year to the next. Any outstanding balance is paid to the employee upon separation from service.

9. Operating Revenues and Expenses

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

10. Fund Accounting

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

Proprietary Fund:

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

C. Revenues

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

D. Risk Management

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

E. Contract Agreement

In 1992, the district entered into an agreement with Hardin County, Tennessee, and the City of Savannah, Tennessee, whereby the board of the district is charged with the responsibilities of establishing and collecting service fees; seeking additional funding and issuing bonds, if necessary; and creating a dispatch service and determining the mode. Further, the parties agreed in 2009 that the district would serve as the administrative unit with the responsibility to operate the dispatch facility in a manner consistent with statutory requirements. The city and county have agreed to remit funds to the district to cover various operating expenses in exchange for dispatching services provided by the district. This year the city and county remitted \$395,518 to the district.

F. Deposits and Investments

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

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

G. Pension Plan

Plan Description

Employees of the district 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 the district 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

The district requires employees to contribute five percent of earnable compensation. The district is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2011, was

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

Annual Pension Cost

For the year ended June 30, 2011, the district’s annual pension cost of \$26,225 to TCRS was equal to the district’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 on inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement 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 district’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at June 1, 2009, was zero 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	\$ 26,225	100%	\$ 0
6-30-10	23,447	100	0
6-30-09	0	100	0

Funded Status and Funding Progress

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

The Schedule of Funding Progress, presented as a 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 aggregated 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.

H. Capital Assets

Capital assets activity for the year ended June 30, 2011, was as follows:

<u>Capital Assets</u>	Balance 7-1-10	Increases	Decreases	Balance 6-30-11
Capital Assets Not Depreciated:				
Land	\$ 127,150	\$ 0	\$ 0	\$ 127,150
Construction in Progress	45,337	0	45,337	0
Total Capital Assets Not Depreciated	\$ 172,487	\$ 0	\$ 45,337	\$ 127,150
Capital Assets Depreciated:				
Building Improvements	\$ 43,985	\$ 0	\$ 0	\$ 43,985
Buildings	60,000	1,178,920	0	1,238,920
Equipment - Capital Lease	339,029	353,306	0	692,335
Equipment and Software	264,547	105,730	0	370,277
Furniture and Fixtures	0	44,662	0	44,662
Vehicles	25,196	0	0	25,196
Maps	176,904	0	0	176,904
Total Capital Assets Depreciated	\$ 909,661	\$ 1,682,618	\$ 0	\$ 2,592,279
Less Accumulated Depreciation For:				
Building Improvements	\$ (13,907)	\$ (1,467)	\$ 0	\$ (15,374)
Buildings	(1,637)	(4,637)	0	(6,274)
Equipment - Capital Lease	(339,029)	(1,330)	0	(340,359)
Equipment and Software	(253,417)	(3,437)	0	(256,854)
Furniture and Fixtures	0	(372)	0	(372)
Vehicles	(25,196)	0	0	(25,196)
Maps	(132,766)	(11,872)	0	(144,638)
Total Accumulated Depreciation	\$ (765,952)	\$ (23,115)	\$ 0	\$ (789,067)
Total Capital Assets Depreciated, Net	\$ 143,709	\$ 1,659,503	\$ 0	\$ 1,803,212
Total Capital Assets, Net	\$ 316,196	\$ 1,659,503	\$ 45,337	\$ 1,930,362

Depreciation expense of \$23,115 was recorded by the district.

I. Stewardship, Compliance, and Accountability

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

Budget Appropriations

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

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

J. Estimates and Assumptions

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

K. Long-term Debt

Long-term debt consists of Emergency Communications District Revenue Bonds, Series 2010, dated October 5, 2010, through June 30, 2040, with interest rates varying from 1.75 percent to 4.25 percent.

Changes in Long-term Debt

	Balance 7-1-10	Issues or Additions	Balance 6-30-11	Due Within One Year
Revenue Bonds	\$ 0	\$ 1,275,000	\$ 1,275,000	\$ 25,000

Annual Requirements to Retire Debt Outstanding

The annual aggregate maturities for revenue bonds payable for the years subsequent to June 30, 2011, are as follows:

Year Ending June 30	Revenue Bonds		
	Business-type Activities		
	Principal	Interest	Total
2012	\$ 25,000	\$ 70,844	\$ 95,844
2013	30,000	75,406	105,406
2014	30,000	74,881	104,881
2015	30,000	74,356	104,356
2016	30,000	73,831	103,831
2017-2021	165,000	371,237	536,237
2022-2026	190,000	369,062	559,062
2027-2031	225,000	367,812	592,812
2032-2036	280,000	373,432	653,432
2037-2040	270,000	299,751	569,751
Total	\$ 1,275,000	\$ 2,150,612	\$ 3,425,612

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

A. General Information

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

B. Summary of Significant Accounting Policies

1. GASB Conformity

Hardin County Convention Visitors Bureau (HCCVB) complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements Accounting Principles Board (ARB) opinions issued on or before November 30, 1989, have been applied, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. GASB Statements Nos. 20 and 34 provide HCCBB the option of electing to apply FASB pronouncements issued after November 30, 1989. HCCVB has elected not to apply those pronouncements. The accounting and reporting framework and the

more significant accounting policies are discussed in subsequent subsections of this note.

2. Measurement Focus

Measurement focus is a term used to describe which transactions are recorded within the various financial statements.

On the government-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

In the fund financial statements, the “current financial resources” measurement focus is used. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

3. Basis of Accounting

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

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able

to reasonably estimate that amount. Available means collectible within the current period or within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

4. Capital Assets

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

Capital assets activity for the year ended June 30, 2011, was as follows:

	Balance 7-1-10	Increases	Balance 6-30-11
Capital Assets Depreciated:			
Furniture and Equipment	\$ 3,343	\$ 872	\$ 4,215
Total Capital Assets Depreciated	<u>\$ 3,343</u>	<u>\$ 872</u>	<u>\$ 4,215</u>
Less Accumulated Depreciation For:			
Furniture and Equipment	\$ (3,343)	\$ (145)	\$ (3,488)
Total Accumulated Depreciation	<u>\$ (3,343)</u>	<u>\$ (145)</u>	<u>\$ (3,488)</u>
Total Capital Assets Depreciated, Net	<u>\$ 0</u>	<u>\$ 727</u>	<u>\$ 727</u>
Total Capital Assets, Net	<u><u>\$ 0</u></u>	<u><u>\$ 727</u></u>	<u><u>\$ 727</u></u>

There were no decreases in capital assets during the year.

5. Cash

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

6. Prepays

Prepaid expenses reported on the Statement of Net Assets relates to firework show expenses paid in the current year for the firework event in the next fiscal year.

7. Equity Classifications

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

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

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned.

C. Stewardship, Compliance, and Accountability

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

1. Deposits and Investments – Laws and Regulations

In accordance with state law, all uninsured deposits of county funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or government agency securities, certain State of Tennessee or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to HCCVB must have a written collateral agreement approved by the board of directors or loan committee. HCCVB has no policy regarding custodial credit risk for deposits.

HCCVB's investment policies are governed by state statute. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit, and savings accounts. Collateral is required for demand deposits, certificates of deposits, and repurchase agreements at 105 percent of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and

its agencies and obligations of the state and its subdivisions. HCCVB has no policy that further limits allowable investments.

2. Deficit Fund Balance

The State of Tennessee discourages the creation of a deficit fund balance in any individual fund. HCCVB's General Fund had a positive fund balance at year end.

3. Budget Appropriations

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the governmental fund. HCCVB adopts its budget in accordance with the state's legal requirement, which is the level of classification detail at which expenditures may not legally exceed appropriations.

HCCVB follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to May 1, the CEO submits to the Board of Directors and Hardin County a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Prior to July 1, the budget is legally adopted by the Board of Directors and approved by Hardin County.
- c. The CEO is responsible for controlling expenditures of the various agencies of the government within the appropriated amounts. Budget amendments are approved by the Board of Directors.

Budgeted amounts of the revenues and expenditures presented for the General Fund are shown as originally adopted and after final amendments by the Board of Directors. Budget appropriations lapse at year end. A comparison of the budget with statements of actual revenues and expenditures, including the budget variances, of the fund is presented as a fund financial statement.

State statutes prohibit expenses in excess of budget appropriations. HCCVB complied with this statute in all material respects for the year ended June 30, 2011, since expenses were within budget appropriations for the year at the fund level.

D. Estimates and Assumptions

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

E. Tax Exemption

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

F. Concentration of Credit Risk

HCCVB receives approximately 80 percent of operating revenues from hotel and motel sales tax collections by Hardin County.

G. Donated Services

Accounting services were provided at no charge to HCCVB by a local accounting firm. An estimated fair value of \$3,600 for services rendered is reflected in the Statement of Revenues, Expenses, and Changes in Net Assets as both revenue and an expense.

H. Related Parties

HCCVB is represented on the board of directors of Team Hardin County, Inc. (THC), another nonprofit organization that is involved in the promotion of Hardin County. In prior years, THC pays expenses incurred by HCCVB and hotel/motel tax receipts are received by THC to offset those expenses. During those years, cash receipts exceeded payments resulting in THC owing HCCVB \$71,649.

At year end, THC – NAIA, another related-party nonprofit, owed HCCVB \$17,664 due to HCCVB paying NAIA expenses during prior years.

I. Retirement Plan

HCCVB is a participant in a non-contributory defined contribution money purchase pension plan, which covers all full-time employees. HCCVB's contribution rate is five percent of base compensation. The total retirement plan expense for the year was \$2,734.

J. Accounting Change for Fund Balance Reporting

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB No. 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. HCCVB implemented this standard in the current fiscal year since it became effective for the year ended June 30, 2011.

GASB No. 54 requires the fund balance amounts to be properly reported with one of the fund balance categories listed below:

Nonspendable fund balance is associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).

Restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance classification includes amounts that can be used only for specific purposes determined by formal action of the Board of Directors (HCCVB's highest level of decision-making authority).

Assigned fund balance classification is intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Assigned amounts are determined by the Board of Directors.

Unassigned fund balance is the residual classification for HCCVB's General Fund and includes all spendable amounts not contained in the other classifications.

Order of Fund Balance Spending Policy

HCCVB has not yet adopted an order of fund balance spending policy. It considers 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 those unrestricted fund balance classifications could be used.

K. Risk Management

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit F-1

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 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>							
Local Taxes	\$ 5,628,436	\$ 0	\$ 0	\$ 5,628,436	\$ 5,592,026	\$ 5,608,526	\$ 19,910
Licenses and Permits	101,752	0	0	101,752	96,600	96,600	5,152
Fines, Forfeitures, and Penalties	168,633	0	0	168,633	200,560	200,560	(31,927)
Charges for Current Services	43,990	0	0	43,990	49,600	49,600	(5,610)
Other Local Revenues	495,008	0	0	495,008	343,200	351,366	143,642
Fees Received from County Officials	1,230,364	0	0	1,230,364	1,241,500	1,241,500	(11,136)
State of Tennessee	1,463,284	0	0	1,463,284	1,321,820	1,426,281	37,003
Federal Government	588,320	0	0	588,320	99,794	1,018,315	(429,995)
Other Governments and Citizens Groups	179,246	0	0	179,246	135,000	220,738	(41,492)
Total Revenues	\$ 9,899,033	\$ 0	\$ 0	\$ 9,899,033	\$ 9,080,100	\$ 10,213,486	\$ (314,453)
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 64,925	\$ 0	\$ 0	\$ 64,925	\$ 69,427	\$ 69,427	\$ 4,502
Board of Equalization	1,000	0	0	1,000	1,000	1,000	0
Beer Board	3,398	0	0	3,398	4,075	4,075	677
Other Boards and Committees	350	0	0	350	1,100	1,100	750
County Mayor/Executive	140,430	0	0	140,430	141,335	141,335	905
County Attorney	5,210	0	0	5,210	7,000	7,000	1,790
Election Commission	141,779	0	0	141,779	157,885	160,632	18,853
Register of Deeds	133,822	0	121	133,943	144,412	144,412	10,469
County Buildings	502,256	0	4,985	507,241	516,250	522,047	14,806
<u>Finance</u>							
Accounting and Budgeting	103,768	0	0	103,768	104,174	104,174	406
Property Assessor's Office	185,455	0	121	185,576	198,534	198,660	13,084

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Finance (Cont.)</u>							
Reappraisal Program	\$ 25,728	\$ 0	\$ 0	\$ 25,728	\$ 26,750	\$ 26,750	\$ 1,022
County Trustee's Office	157,447	0	0	157,447	157,443	163,926	6,479
County Clerk's Office	224,047	0	121	224,168	225,492	228,122	3,954
<u>Administration of Justice</u>							
Circuit Court	275,456	0	156	275,612	262,271	289,367	13,755
General Sessions Court	133,023	0	0	133,023	133,592	133,592	569
Drug Court	18,533	(9,898)	0	8,635	10,500	10,500	1,865
Chancery Court	119,729	0	0	119,729	119,022	122,022	2,293
<u>Public Safety</u>							
Sheriff's Department	1,346,745	0	16,661	1,363,406	1,266,272	1,419,485	56,079
Traffic Control	8,284	0	0	8,284	0	24,999	16,715
Administration of the Sexual Offender Registry	802	0	0	802	1,200	1,200	398
Jail	1,467,710	0	0	1,467,710	1,419,870	1,503,085	35,375
Juvenile Services	103,628	0	92	103,720	106,166	106,166	2,446
Fire Prevention and Control	928,884	(169,343)	0	759,541	570,681	1,278,602	519,061
Civil Defense	183,531	0	0	183,531	103,758	183,985	454
Disaster Relief	0	0	0	0	0	497	497
Other Public Safety	235,564	0	0	235,564	268,747	268,747	33,183
<u>Public Health and Welfare</u>							
Local Health Center	125,354	0	0	125,354	130,000	130,000	4,646
Rabies and Animal Control	49,698	0	0	49,698	150,000	150,000	100,302
Ambulance/Emergency Medical Services	276,856	0	0	276,856	191,200	276,900	44
Alcohol and Drug Programs	25,000	0	0	25,000	25,000	25,000	0
Crippled Children Services	2,005	0	0	2,005	2,005	2,005	0

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Public Health and Welfare (Cont.)</u>							
General Welfare Assistance	\$ 3,100	\$ 0	\$ 0	\$ 3,100	\$ 3,100	\$ 0	0
Other Local Welfare Services	7,999	0	0	7,999	8,000	8,000	1
Sanitation Education/Information	83,075	0	0	83,075	79,203	85,817	2,742
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	57,014	0	0	57,014	58,735	61,525	4,511
Libraries	189,181	0	0	189,181	190,330	211,296	22,115
Other Social, Cultural, and Recreational	19,500	0	0	19,500	20,500	20,500	1,000
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	55,780	0	0	55,780	73,281	73,281	17,501
Forest Service	1,000	0	0	1,000	1,000	1,000	0
Soil Conservation	24,615	0	0	24,615	24,615	24,615	0
Flood Control	93,956	0	0	93,956	38,000	95,095	1,139
Other Agriculture and Natural Resources	4,713	0	0	4,713	6,230	6,230	1,517
<u>Other Operations</u>							
Tourism	209,304	0	0	209,304	180,000	210,500	1,196
Tourism-Resort District	91,816	0	0	91,816	101,000	101,000	9,184
Industrial Development	68,729	0	0	68,729	69,800	69,800	1,071
Other Economic and Community Development	64,490	(229)	86	64,347	15,000	65,000	653
Airport	47,500	0	0	47,500	22,500	47,500	0
Veterans' Services	46,479	0	0	46,479	47,297	47,297	818
Other Charges	236,280	0	0	236,280	250,700	250,700	14,420
Contributions to Other Agencies	15,500	0	0	15,500	15,500	15,500	0
Employee Benefits	1,361,880	0	0	1,361,880	1,431,599	1,498,153	136,273
ARRA Grant No. 1	12,356	0	0	12,356	12,906	12,906	550

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Other Operations (Cont.)</u>							
Miscellaneous	\$ 8,498	\$ 0	\$ 0	\$ 8,498	\$ 8,500	\$ 9,895	\$ 1,397
Principal on Debt							
General Government	200,288	0	0	200,288	0	200,290	2
Interest on Debt							
General Government	50,010	0	0	50,010	0	50,010	0
Total Expenditures	\$ 9,943,480	\$ (179,470)	\$ 22,343	\$ 9,786,353	\$ 9,172,957	\$ 10,867,822	\$ 1,081,469
Excess (Deficiency) of Revenues Over Expenditures	\$ (44,447)	\$ 179,470	\$ (22,343)	\$ 112,680	\$ (92,857)	\$ (654,336)	\$ 767,016
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 177,500	\$ 0	\$ 0	\$ 177,500	\$ 127,500	\$ 177,500	\$ 0
Insurance Recovery	54,265	0	0	54,265	0	53,173	1,092
Transfers Out	(609,928)	0	0	(609,928)	(609,928)	(1,109,431)	499,503
Total Other Financing Sources (Uses)	\$ (378,163)	\$ 0	\$ 0	\$ (378,163)	\$ (482,428)	\$ (878,758)	\$ 500,595
Net Change in Fund Balance Fund Balance, July 1, 2010	\$ (422,610)	\$ 179,470	\$ (22,343)	\$ (265,483)	\$ (575,285)	\$ (1,533,094)	\$ 1,267,611
Fund Balance, June 30, 2011	4,862,313	(179,470)	0	4,682,843	4,139,459	4,139,459	543,384
Fund Balance, June 30, 2011	\$ 4,439,703	\$ 0	\$ (22,343)	\$ 4,417,360	\$ 3,564,174	\$ 2,606,365	\$ 1,810,995

Exhibit F-2

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 550,045	\$ 647,216	\$ 647,216	\$ (97,171)
Other Local Revenues	37,484	54,000	54,000	(16,516)
State of Tennessee	2,557,018	2,057,077	2,341,718	215,300
Federal Government	999,479	0	573,796	425,683
Total Revenues	<u>\$ 4,144,026</u>	<u>\$ 2,758,293</u>	<u>\$ 3,616,730</u>	<u>\$ 527,296</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 241,625	\$ 260,732	\$ 260,732	\$ 19,107
Highway and Bridge Maintenance	1,650,390	1,024,500	1,658,114	7,724
Operation and Maintenance of Equipment	389,594	405,475	405,475	15,881
Other Charges	160,997	423,734	194,997	34,000
Employee Benefits	369,161	410,720	410,720	41,559
Capital Outlay	1,154,706	229,000	751,641	(403,065)
<u>Principal on Debt</u>				
Highways and Streets	2,182	0	2,182	0
Total Expenditures	<u>\$ 3,968,655</u>	<u>\$ 2,754,161</u>	<u>\$ 3,683,861</u>	<u>\$ (284,794)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 175,371</u>	<u>\$ 4,132</u>	<u>\$ (67,131)</u>	<u>\$ 242,502</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (228,736)	\$ 0	\$ (228,737)	\$ 1
Total Other Financing Sources (Uses)	<u>\$ (228,736)</u>	<u>\$ 0</u>	<u>\$ (228,737)</u>	<u>\$ 1</u>
Net Change in Fund Balance	\$ (53,365)	\$ 4,132	\$ (295,868)	\$ 242,503
Fund Balance, July 1, 2010	531,017	1,315,668	1,315,668	(784,651)
Fund Balance, June 30, 2011	<u>\$ 477,652</u>	<u>\$ 1,319,800</u>	<u>\$ 1,019,800</u>	<u>\$ (542,148)</u>

Exhibit F-3

Hardin County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Hardin 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)
7-1-09	\$ 14,476	\$ 17,791	\$ 3,315	81.37	% \$ 6,905	48 %
7-1-07	13,127	14,999	1,872	87.52	5,865	31.92

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method went into effect during the year of the 2007 actuarial valuation; therefore, only the two most recent valuations are presented.

Exhibit F-4

Hardin County, Tennessee
Schedule of Funding Progress – Pension Plan
Discretely Presented Hardin County Medical Center and
Discretely Presented Hardin County Emergency Communications District
June 30, 2011

(Dollar amounts in thousands)

Component Units	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Medical Center	7-1-07	\$ 22,524	\$ 26,377	\$ 3,853	85.39	\$ 9,564	40.29
"	7-1-09	22,816	25,871	3,055	88.19	4,783	63.88
Emergency Communications District	7-1-07	0	0	0	0	0	0
"	7-1-09	0	0	0	0	0	0

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 year of the 2007 actuarial valuation; therefore, only the two most recent valuations are presented.

Exhibit F-5

Hardin County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Primary Government and Discretely Presented Hardin County School Department
June 30, 2011

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>PRIMARY GOVERNMENT</u>							
Local Government Group	7-1-07	\$ 0	\$ 419	\$ 419	0%	\$ 3,379	12%
"	7-1-09	0	548	548	0	4,199	13
"	7-1-10	0	574	574	0	4,416	13
<u>DISCRETELY PRESENTED HARDIN COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-07	0	8,846	8,846	0	14,125	63
"	7-1-09	0	9,584	9,584	0	14,746	65
"	7-1-10	0	9,670	9,670	0	14,746	66

HARDIN 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 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, 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 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

Expenditures exceeded total appropriations approved by the County Commission in the Highway/Public Works Fund by \$284,794. 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.

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

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

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

Capital Projects Fund

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.

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

Exhibit G-1

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

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 345	\$ 345
Equity in Pooled Cash and Investments	388,380	69,271	0	457,651
Accounts Receivable	35,751	0	0	35,751
Due from Other Governments	190,353	1,000	0	191,353
Total Assets	<u>\$ 614,484</u>	<u>\$ 70,271</u>	<u>\$ 345</u>	<u>\$ 685,100</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 1,010	\$ 0	\$ 0	\$ 1,010
Accrued Payroll	15,475	1,983	0	17,458
Payroll Deductions Payable	1,070	189	0	1,259
Due to Other Funds	0	0	345	345
Other Deferred Revenues	93,888	0	0	93,888
Total Liabilities	<u>\$ 111,443</u>	<u>\$ 2,172</u>	<u>\$ 345</u>	<u>\$ 113,960</u>
<u>Fund Balances</u>				
Restricted:				
Restricted for Public Safety	\$ 0	\$ 68,099	\$ 0	\$ 68,099
Committed:				
Committed for Public Health and Welfare	503,041	0	0	503,041
Total Fund Balances	<u>\$ 503,041</u>	<u>\$ 68,099</u>	<u>\$ 0</u>	<u>\$ 571,140</u>
Total Liabilities and Fund Balances	<u>\$ 614,484</u>	<u>\$ 70,271</u>	<u>\$ 345</u>	<u>\$ 685,100</u>

Hardin 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 Fund	Total
	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Total	Education Capital Projects	Nonmajor Governmental Funds
<u>Revenues</u>						
Local Taxes	\$ 939,092	\$ 0	\$ 0	\$ 939,092	\$ 0	\$ 939,092
Fines, Forfeitures, and Penalties	0	32,718	0	32,718	0	32,718
Charges for Current Services	319,045	0	22,242	341,287	0	341,287
Other Local Revenues	64,744	0	0	64,744	0	64,744
State of Tennessee	13,797	3,500	0	17,297	0	17,297
Other Governments and Citizens Groups	4,923	4,217	0	9,140	0	9,140
Total Revenues	\$ 1,341,601	\$ 40,435	\$ 22,242	\$ 1,404,278	\$ 0	\$ 1,404,278
<u>Expenditures</u>						
Current:						
Administration of Justice	\$ 0	\$ 0	\$ 22,242	\$ 22,242	\$ 0	\$ 22,242
Public Safety	0	34,500	0	34,500	0	34,500
Public Health and Welfare	1,443,028	0	0	1,443,028	0	1,443,028
Other Operations	163,180	12,614	0	175,794	0	175,794
Capital Projects	0	0	0	0	885,000	885,000
Total Expenditures	\$ 1,606,208	\$ 47,114	\$ 22,242	\$ 1,675,564	\$ 885,000	\$ 2,560,564
Excess (Deficiency) of Revenues Over Expenditures	\$ (264,607)	\$ (6,679)	\$ 0	\$ (271,286)	\$ (885,000)	\$ (1,156,286)
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 291,000	\$ 0	\$ 0	\$ 291,000	\$ 885,000	\$ 1,176,000
Total Other Financing Sources (Uses)	\$ 291,000	\$ 0	\$ 0	\$ 291,000	\$ 885,000	\$ 1,176,000
Net Change in Fund Balances Fund Balance, July 1, 2010	\$ 26,393	\$ (6,679)	\$ 0	\$ 19,714	\$ 0	\$ 19,714
	476,648	74,778	0	551,426	0	551,426
Fund Balance, June 30, 2011	\$ 503,041	\$ 68,099	\$ 0	\$ 571,140	\$ 0	\$ 571,140

Exhibit G-3

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 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>						
Local Taxes	\$ 939,092	\$ 0	\$ 939,092	\$ 908,466	\$ 929,266	\$ 9,826
Charges for Current Services	319,045	0	319,045	278,850	290,150	28,895
Other Local Revenues	64,744	0	64,744	18,000	39,494	25,250
State of Tennessee	13,797	0	13,797	17,595	17,595	(3,798)
Other Governments and Citizens Groups	4,923	0	4,923	5,750	5,750	(827)
Total Revenues	\$ 1,341,601	\$ 0	\$ 1,341,601	\$ 1,228,661	\$ 1,282,255	\$ 59,346
<u>Expenditures</u>						
<u>Public Health and Welfare</u>						
Sanitation Management	\$ 67,193	(46)	\$ 67,147	\$ 67,463	\$ 67,657	\$ 510
Waste Pickup	735,975	0	735,975	714,085	762,085	26,110
Convenience Centers	272,512	(273)	272,239	276,863	282,263	10,024
Landfill Operation and Maintenance	367,348	(24,000)	343,348	364,500	364,500	21,152
<u>Other Operations</u>						
Other Charges	60,680	0	60,680	60,800	60,800	120
Employee Benefits	102,500	0	102,500	109,950	109,950	7,450
Total Expenditures	\$ 1,606,208	\$ (24,319)	\$ 1,581,889	\$ 1,593,661	\$ 1,647,255	\$ 65,366
Excess (Deficiency) of Revenues Over Expenditures	\$ (264,607)	\$ 24,319	\$ (240,288)	\$ (365,000)	\$ (365,000)	\$ 124,712
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 291,000	0	\$ 291,000	\$ 315,000	\$ 315,000	\$ (24,000)
Total Other Financing Sources (Uses)	\$ 291,000	0	\$ 291,000	\$ 315,000	\$ 315,000	\$ (24,000)
Net Change in Fund Balance	\$ 26,393	\$ 24,319	\$ 50,712	\$ (50,000)	\$ (50,000)	\$ 100,712
Fund Balance, July 1, 2010	476,648	(24,319)	452,329	402,382	402,382	49,947
Fund Balance, June 30, 2011	\$ 503,041	\$ 0	\$ 503,041	\$ 352,382	\$ 352,382	\$ 150,659

Exhibit G-4

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 32,718	\$ 32,200	\$ 32,200	\$ 518
State of Tennessee	3,500	3,600	3,600	(100)
Other Governments and Citizens Groups	4,217	0	4,217	0
Total Revenues	<u>\$ 40,435</u>	<u>\$ 35,800</u>	<u>\$ 40,017</u>	<u>\$ 418</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 34,500	\$ 38,284	\$ 42,502	\$ 8,002
<u>Other Operations</u>				
Other Charges	1,700	1,700	1,700	0
Employee Benefits	10,914	13,193	13,193	2,279
Total Expenditures	<u>\$ 47,114</u>	<u>\$ 53,177</u>	<u>\$ 57,395</u>	<u>\$ 10,281</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (6,679)</u>	<u>\$ (17,377)</u>	<u>\$ (17,378)</u>	<u>\$ 10,699</u>
Net Change in Fund Balance	\$ (6,679)	\$ (17,377)	\$ (17,378)	\$ 10,699
Fund Balance, July 1, 2010	<u>74,778</u>	<u>72,131</u>	<u>72,131</u>	<u>2,647</u>
Fund Balance, June 30, 2011	<u>\$ 68,099</u>	<u>\$ 54,754</u>	<u>\$ 54,753</u>	<u>\$ 13,346</u>

Major Governmental Funds

Debt Service Funds

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

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

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

Exhibit H-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 210,588	\$ 210,059	\$ 210,059	\$ 529
Other Local Revenues	84,422	82,100	82,100	2,322
State of Tennessee	20,358	20,000	20,000	358
Other Governments and Citizens Groups	410,197	1,005,591	776,855	(366,658)
Total Revenues	\$ 725,565	\$ 1,317,750	\$ 1,089,014	\$ (363,449)
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 740,650	\$ 695,450	\$ 745,450	\$ 4,800
Highways and Streets	120,000	120,000	120,000	0
Education	112,280	189,280	189,280	77,000
<u>Interest on Debt</u>				
General Government	446,391	736,251	736,251	289,860
Highways and Streets	108,736	108,737	108,737	1
Education	18,976	33,044	33,044	14,068
<u>Other Debt Service</u>				
General Government	38,288	42,000	42,000	3,712
Total Expenditures	\$ 1,585,321	\$ 1,924,762	\$ 1,974,762	\$ 389,441
Excess (Deficiency) of Revenues Over Expenditures	\$ (859,756)	\$ (607,012)	\$ (885,748)	\$ 25,992
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 838,664	\$ 609,928	\$ 838,664	\$ 0
Total Other Financing Sources (Uses)	\$ 838,664	\$ 609,928	\$ 838,664	\$ 0
Net Change in Fund Balance	\$ (21,092)	\$ 2,916	\$ (47,084)	\$ 25,992
Fund Balance, July 1, 2010	2,444,125	2,441,853	2,441,853	2,272
Fund Balance, June 30, 2011	\$ 2,423,033	\$ 2,444,769	\$ 2,394,769	\$ 28,264

Exhibit H-2

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Rural Debt Service Fund
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 370,300	\$ 351,390	\$ 351,390	\$ 18,910
Other Local Revenues	14,833	711,697	37,000	(22,167)
Federal Government	674,696	0	674,697	(1)
Other Governments and Citizens Groups	1,698,896	1,658,172	1,658,172	40,724
Total Revenues	<u>\$ 2,758,725</u>	<u>\$ 2,721,259</u>	<u>\$ 2,721,259</u>	<u>\$ 37,466</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 1,410,000	\$ 1,410,000	\$ 1,410,000	\$ 0
<u>Interest on Debt</u>				
Education	1,956,015	1,956,017	1,956,017	2
<u>Other Debt Service</u>				
Education	7,389	7,500	7,500	111
Total Expenditures	<u>\$ 3,373,404</u>	<u>\$ 3,373,517</u>	<u>\$ 3,373,517</u>	<u>\$ 113</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (614,679)</u>	<u>\$ (652,258)</u>	<u>\$ (652,258)</u>	<u>\$ 37,579</u>
Net Change in Fund Balance	\$ (614,679)	\$ (652,258)	\$ (652,258)	\$ 37,579
Fund Balance, July 1, 2010	<u>1,793,633</u>	<u>1,747,933</u>	<u>1,747,933</u>	<u>45,700</u>
Fund Balance, June 30, 2011	<u>\$ 1,178,954</u>	<u>\$ 1,095,675</u>	<u>\$ 1,095,675</u>	<u>\$ 83,279</u>

Fiduciary Funds

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

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

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

Exhibit I-1

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

	<u>Agency Funds</u>		
	Cities -	Constitu-	
	Sales	tional	
	Tax	Officers -	
		Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,432,534	\$ 1,432,534
Due from Other Governments	507,702	0	507,702
Total Assets	<u>\$ 507,702</u>	<u>\$ 1,432,534</u>	<u>\$ 1,940,236</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 507,702	\$ 0	\$ 507,702
Due to Litigants, Heirs, and Others	0	1,432,534	1,432,534
Total Liabilities	<u>\$ 507,702</u>	<u>\$ 1,432,534</u>	<u>\$ 1,940,236</u>

Exhibit I-2

Hardin 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	\$ 2,789,046	\$ 2,789,046	\$ 0
Due from Other Governments	500,056	507,702	500,056	507,702
Total Assets	\$ 500,056	\$ 3,296,748	\$ 3,289,102	\$ 507,702
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 500,056	\$ 3,296,748	\$ 3,289,102	\$ 507,702
Total Liabilities	\$ 500,056	\$ 3,296,748	\$ 3,289,102	\$ 507,702
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,049,368	\$ 11,267,729	\$ 10,884,563	\$ 1,432,534
Total Assets	\$ 1,049,368	\$ 11,267,729	\$ 10,884,563	\$ 1,432,534
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,049,368	\$ 11,267,729	\$ 10,884,563	\$ 1,432,534
Total Liabilities	\$ 1,049,368	\$ 11,267,729	\$ 10,884,563	\$ 1,432,534
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,049,368	\$ 11,267,729	\$ 10,884,563	\$ 1,432,534
Equity in Pooled Cash and Investments	0	2,789,046	2,789,046	0
Due from Other Governments	500,056	507,702	500,056	507,702
Total Assets	\$ 1,549,424	\$ 14,564,477	\$ 14,173,665	\$ 1,940,236
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 500,056	\$ 3,296,748	\$ 3,289,102	\$ 507,702
Due to Litigants, Heirs, and Others	1,049,368	11,267,729	10,884,563	1,432,534
Total Liabilities	\$ 1,549,424	\$ 14,564,477	\$ 14,173,665	\$ 1,940,236

Hardin County School Department

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

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

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

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

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for building construction and renovations of the School Department.

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

Exhibit J-1

Hardin County, Tennessee
Statement of Activities
Discretely Presented Hardin County School Department
For the Year Ended June 30, 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	\$ 23,339,266	\$ 48,096	\$ 2,926,149	\$ 634,755	\$ (19,730,266)
Support Services	8,750,138	52,527	743,445	512,172	(7,441,994)
Operation of Non-Instructional Services	4,361,323	603,065	2,098,704	107,601	(1,551,953)
Interest on Long-term Debt	4,792	0	0	0	(4,792)
Other Debt Service	1,556,630	0	0	0	(1,556,630)
Total Governmental Activities	\$ 38,012,149	\$ 703,688	\$ 5,768,298	\$ 1,254,528	\$ (30,285,635)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 5,831,304
Local Option Sales Taxes					3,715,817
Grants and Contributions Not Restricted to Specific Programs					17,250,827
Miscellaneous					92,436
Total General Revenues					\$ 26,890,384
Change in Net Assets					\$ (3,395,251)
Net Assets, July 1, 2010					52,252,289
Prior-period Adjustment					62,362
Net Assets, June 30, 2011					\$ 48,919,400

Exhibit J-2

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

	Major Funds			Nonmajor	Total
	General Purpose School	School Federal Projects	Education Capital Projects	Fund Central Cafeteria	Governmental Funds
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 227,500	\$ 0	\$ 227,500
Equity in Pooled Cash and Investments	2,517,913	152,009	1,975,010	494,734	5,139,666
Accounts Receivable	32,377	0	0	149	32,526
Due from Other Governments	1,372,181	498,403	0	166,560	2,037,144
Due from Other Funds	313,998	0	0	0	313,998
Property Taxes Receivable	5,563,497	0	0	0	5,563,497
Allowance for Uncollectible Property Taxes	(337,500)	0	0	0	(337,500)
Total Assets	<u>\$ 9,462,466</u>	<u>\$ 650,412</u>	<u>\$ 2,202,510</u>	<u>\$ 661,443</u>	<u>\$ 12,976,831</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 448,509	\$ 258,971	\$ 0	\$ 19,141	\$ 726,621
Payroll Deductions Payable	138,849	0	0	0	138,849
Contracts Payable	0	0	239,483	0	239,483
Retainage Payable	0	0	10,893	0	10,893
Due to Other Funds	553	313,998	0	0	314,551
Due to Primary Government	125,347	0	0	0	125,347
Deferred Revenue - Current Property Taxes	4,932,752	0	0	0	4,932,752
Deferred Revenue - Delinquent Property Taxes	275,180	0	0	0	275,180
Other Deferred Revenues	360,788	0	0	0	360,788
Total Liabilities	<u>\$ 6,281,978</u>	<u>\$ 572,969</u>	<u>\$ 250,376</u>	<u>\$ 19,141</u>	<u>\$ 7,124,464</u>
<u>Fund Balances</u>					
Restricted:					
Restricted for Education	\$ 142,982	\$ 77,443	\$ 0	\$ 0	\$ 220,425
Restricted for Operation of Non-Instructional Services	0	0	0	642,302	642,302
Restricted for Capital Projects	0	0	1,952,134	0	1,952,134
Committed:					
Committed for Education	160,500	0	0	0	160,500
Unassigned	2,877,006	0	0	0	2,877,006
Total Fund Balances	<u>\$ 3,180,488</u>	<u>\$ 77,443</u>	<u>\$ 1,952,134</u>	<u>\$ 642,302</u>	<u>\$ 5,852,367</u>
Total Liabilities and Fund Balances	<u>\$ 9,462,466</u>	<u>\$ 650,412</u>	<u>\$ 2,202,510</u>	<u>\$ 661,443</u>	<u>\$ 12,976,831</u>

Exhibit J-3

Hardin County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
Discretely Presented Hardin County School Department
June 30, 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)		\$ 5,852,367	
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$ 1,149,600		
Add: buildings and improvements net of accumulated depreciation	43,373,492		
Add: other capital assets net of accumulated depreciation	<u>1,474,599</u>	45,997,691	
(2) Internal service funds are used by management to charge the costs of employee insurance benefits to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.			10,348
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: capital leases payable	\$ (25,245)		
Less: compensated absences payable	(432,911)		
Less: other postemployment benefits liability	<u>(3,118,818)</u>	(3,576,974)	
(4) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>635,968</u>
Net assets of governmental activities (Exhibit A)			<u>\$ 48,919,400</u>

Exhibit J-4

Hardin County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Hardin County School Department
For the Year Ended June 30, 2011

	Major Funds			Nonmajor	Total
	General Purpose School	School Federal Projects	Education Capital Projects	Fund Central Cafeteria	
<u>Revenues</u>					
Local Taxes	\$ 9,643,113	\$ 0	\$ 0	\$ 0	\$ 9,643,113
Licenses and Permits	1,762	0	0	0	1,762
Charges for Current Services	29,672	0	0	593,006	622,678
Other Local Revenues	240,402	0	69,714	11,653	321,769
State of Tennessee	16,534,482	0	0	0	16,534,482
Federal Government	171,660	4,661,110	369,528	1,448,216	6,650,514
Other Governments and Citizens Groups	385,000	0	500,000	0	885,000
Total Revenues	\$ 27,006,091	\$ 4,661,110	\$ 939,242	\$ 2,052,875	\$ 34,659,318
<u>Expenditures</u>					
Current:					
Instruction	\$ 13,967,189	\$ 3,284,022	\$ 0	\$ 0	\$ 17,251,211
Support Services	10,306,299	1,440,333	0	0	11,746,632
Operation of Non-Instructional Services	1,035,795	0	0	2,211,808	3,247,603
Capital Outlay	615,953	0	0	0	615,953
Debt Service:					
Principal on Debt	23,299	0	0	0	23,299
Interest on Debt	4,792	0	0	0	4,792
Other Debt Service	1,556,630	0	0	0	1,556,630
Capital Projects	0	0	6,234,927	0	6,234,927
Total Expenditures	\$ 27,509,957	\$ 4,724,355	\$ 6,234,927	\$ 2,211,808	\$ 40,681,047
Excess (Deficiency) of Revenues Over Expenditures	\$ (503,866)	\$ (63,245)	\$ (5,295,685)	\$ (158,933)	\$ (6,021,729)
<u>Other Financing Sources (Uses)</u>					
Proceeds from Sale of Capital Assets	\$ 535,000	\$ 0	\$ 0	\$ 0	\$ 535,000
Insurance Recovery	7,660	0	0	0	7,660
Total Other Financing Sources (Uses)	\$ 542,660	\$ 0	\$ 0	\$ 0	\$ 542,660
Net Change in Fund Balances	\$ 38,794	\$ (63,245)	\$ (5,295,685)	\$ (158,933)	\$ (5,479,069)
Fund Balance, July 1, 2010	3,141,694	140,688	7,247,819	801,235	11,331,436
Fund Balance, June 30, 2011	\$ 3,180,488	\$ 77,443	\$ 1,952,134	\$ 642,302	\$ 5,852,367

Exhibit J-5

Hardin County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Hardin County School Department
For the Year Ended June 30, 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)		\$ (5,479,069)
(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	\$ 6,080,371	
Less: current-year depreciation expense	<u>(2,197,358)</u>	3,883,013
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Less: loss on disposal of capital assets	\$ (362,684)	
Less: proceeds received from disposal of capital assets	<u>(565,875)</u>	(928,559)
(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	\$ 635,968	
Less: deferred delinquent property taxes and other deferred June 30, 2010	<u>(748,013)</u>	(112,045)
(4) The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		
Add: principal payments on capital leases		23,299
(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 compensated absences payable	\$ 17,927	
Change in other postemployment benefits liability	<u>(821,979)</u>	(804,052)
(6) Internal service funds are used by management to charge the costs of employee insurance benefits to individual funds. The net revenue (expense) of certain activities of the internal service fund is reported with governmental activities in the statement of activities.		<u>22,162</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (3,395,251)</u>

Exhibit J-6

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 9,643,113	\$ 9,709,371	\$ 9,683,371	\$ (40,258)
Licenses and Permits	1,762	1,100	1,100	662
Charges for Current Services	29,672	25,100	25,100	4,572
Other Local Revenues	240,402	76,350	224,630	15,772
State of Tennessee	16,534,482	16,443,228	16,518,413	16,069
Federal Government	171,660	111,638	186,794	(15,134)
Other Governments and Citizens Groups	385,000	0	385,000	0
Total Revenues	<u>\$ 27,006,091</u>	<u>\$ 26,366,787</u>	<u>\$ 27,024,408</u>	<u>\$ (18,317)</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 11,265,557	\$ 12,060,972	\$ 11,240,112	\$ (25,445)
Alternative Instruction Program	166,060	209,076	179,026	12,966
Special Education Program	1,547,028	1,553,950	1,549,450	2,422
Vocational Education Program	947,416	1,022,803	962,353	14,937
Adult Education Program	41,128	53,538	51,538	10,410
<u>Support Services</u>				
Attendance	160,546	131,190	166,640	6,094
Health Services	287,475	286,329	295,629	8,154
Other Student Support	1,090,609	1,112,907	1,094,967	4,358
Regular Instruction Program	1,056,240	1,064,643	1,071,243	15,003
Alternative Instruction Program	75,843	75,627	78,527	2,684
Special Education Program	162,365	155,967	166,817	4,452
Vocational Education Program	71,937	106,539	74,322	2,385
Adult Programs	77,965	74,844	85,094	7,129
Other Programs	144,833	0	144,833	0
Board of Education	599,270	630,040	607,937	8,667
Director of Schools	218,443	210,126	218,699	256
Office of the Principal	1,513,845	1,481,748	1,499,963	(13,882)
Fiscal Services	168,329	174,718	171,368	3,039
Human Services/Personnel	51,258	51,678	52,038	780
Operation of Plant	2,718,313	1,966,509	2,754,245	35,932
Maintenance of Plant	466,031	436,995	531,837	65,806
Transportation	1,320,707	1,300,613	1,293,433	(27,274)
Central and Other	122,290	72,453	122,553	263

(Continued)

Exhibit J-6

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 487,476	\$ 466,574	\$ 497,574	\$ 10,098
Early Childhood Education	548,319	510,942	543,892	(4,427)
<u>Capital Outlay</u>				
Regular Capital Outlay	615,953	0	646,288	30,335
<u>Principal on Debt</u>				
Education	23,299	0	23,299	0
<u>Interest on Debt</u>				
Education	4,792	0	5,285	493
<u>Other Debt Service</u>				
Education	1,556,630	1,541,106	1,563,106	6,476
Total Expenditures	<u>\$ 27,509,957</u>	<u>\$ 26,751,887</u>	<u>\$ 27,692,068</u>	<u>\$ 182,111</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (503,866)	\$ (385,100)	\$ (667,660)	\$ 163,794
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 0	\$ 385,000	\$ 0	\$ 0
Proceeds from Sale of Capital Assets	535,000	0	535,000	0
Insurance Recovery	7,660	100	7,660	0
Total Other Financing Sources (Uses)	<u>\$ 542,660</u>	<u>\$ 385,100</u>	<u>\$ 542,660</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 38,794	\$ 0	\$ (125,000)	\$ 163,794
Fund Balance, July 1, 2010	<u>3,141,694</u>	<u>2,647,201</u>	<u>2,647,201</u>	<u>494,493</u>
Fund Balance, June 30, 2011	<u>\$ 3,180,488</u>	<u>\$ 2,647,201</u>	<u>\$ 2,522,201</u>	<u>\$ 658,287</u>

Exhibit J-7

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

	Actual (GAAP Basis)	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	\$ 4,661,110	0	\$ 4,661,110	\$ 5,481,531	\$ 5,500,736	\$ (839,626)
Total Revenues	\$ 4,661,110	0	\$ 4,661,110	\$ 5,481,531	\$ 5,500,736	\$ (839,626)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 2,492,422	107	\$ 2,492,529	\$ 2,547,650	\$ 2,613,915	\$ 121,386
Special Education Program	723,600	0	723,600	1,101,094	1,120,298	396,698
Vocational Education Program	68,000	0	68,000	58,894	68,041	41
<u>Support Services</u>						
Other Student Support	57,012	43,560	100,572	209,627	109,980	9,408
Regular Instruction Program	1,129,006	1,272	1,130,278	1,234,098	1,241,633	111,355
Special Education Program	189,688	0	189,688	370,125	370,125	180,437
Vocational Education Program	0	0	0	1,500	0	0
Transportation	64,627	0	64,627	74,822	93,022	28,395
Total Expenditures	\$ 4,724,355	\$ 44,939	\$ 4,769,294	\$ 5,597,810	\$ 5,617,014	\$ 847,720
Excess (Deficiency) of Revenues Over Expenditures	\$ (63,245)	\$ (44,939)	\$ (108,184)	\$ (116,279)	\$ (116,278)	\$ 8,094

(Continued)

Exhibit J-7

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

	Actual (GAAP Basis)	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>						
Transfers In	\$ 0 \$	0 \$	0 \$	119,078 \$	0 \$	0
Transfers Out	0	0	0	(119,078)	0	0
Total Other Financing Sources (Uses)	\$ 0 \$	0 \$	0 \$	0 \$	0 \$	0
Net Change in Fund Balance	\$ (63,245) \$	(44,939) \$	(108,184) \$	(116,279) \$	(116,278) \$	8,094
Fund Balance, July 1, 2010	140,688	0	140,688	140,688	140,688	0
Fund Balance, June 30, 2011	\$ 77,443 \$	(44,939) \$	32,504 \$	24,409 \$	24,410 \$	8,094

Exhibit J-8

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Hardin County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 593,006	\$ 692,000	\$ 692,000	\$ (98,994)
Other Local Revenues	11,653	10,000	10,000	1,653
Federal Government	1,448,216	1,396,000	1,396,000	52,216
Total Revenues	<u>\$ 2,052,875</u>	<u>\$ 2,098,000</u>	<u>\$ 2,098,000</u>	<u>\$ (45,125)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	<u>\$ 2,211,808</u>	<u>\$ 2,454,371</u>	<u>\$ 2,454,371</u>	<u>\$ 242,563</u>
Total Expenditures	<u>\$ 2,211,808</u>	<u>\$ 2,454,371</u>	<u>\$ 2,454,371</u>	<u>\$ 242,563</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (158,933)</u>	<u>\$ (356,371)</u>	<u>\$ (356,371)</u>	<u>\$ 197,438</u>
Net Change in Fund Balance	\$ (158,933)	\$ (356,371)	\$ (356,371)	\$ 197,438
Fund Balance, July 1, 2010	<u>801,235</u>	<u>715,252</u>	<u>715,252</u>	<u>85,983</u>
Fund Balance, June 30, 2011	<u>\$ 642,302</u>	<u>\$ 358,881</u>	<u>\$ 358,881</u>	<u>\$ 283,421</u>

Exhibit J-9

Hardin County, Tennessee
Statement of Net Assets
Discretely Presented Hardin County School Department
Proprietary Fund
June 30, 2011

	Governmental Activities - Internal Service Fund
	<u>Employee Insurance Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 20,388
Due from Other Funds	553
Total Assets	<u>\$ 20,941</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 10,593
Total Liabilities	<u>\$ 10,593</u>
<u>NET ASSETS</u>	
Unrestricted	<u>\$ 10,348</u>
Total Net Assets	<u>\$ 10,348</u>

Exhibit J-10

Hardin County, Tennessee
Statement of Revenues, Expenses, and Changes in Net Assets
Discretely Presented Hardin County School Department
Proprietary Fund
For the Year Ended June 30, 2011

	Governmental Activities - Internal Service Fund <hr/> Employee Insurance Fund <hr/>
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
Self-Insurance Premiums/Contributions	\$ 258,347
Total Operating Revenues	<u>\$ 258,347</u>
<u>Operating Expenses</u>	
<u>Employee Benefits</u>	
Handling Charges and Administrative Costs	\$ 19,038
Office Supplies	99
Medical Claims	217,048
Total Operating Expenses	<u>\$ 236,185</u>
Operating Income	<u>\$ 22,162</u>
Change in Net Assets	\$ 22,162
Net Assets (Deficit), July 1, 2010	<u>(11,814)</u>
Net Assets, June 30, 2011	<u><u>\$ 10,348</u></u>

Exhibit J-11

Hardin County, Tennessee
Statement of Cash Flows
Discretely Presented Hardin County School Department
Proprietary Fund
For the Year Ended June 30, 2011

	Governmental Activities - Internal Service Fund
	Employee Insurance Fund
<u>Cash Flows from Operating Activities</u>	
Receipts from Self-Insurance Premiums	\$ 259,607
Payments to Fiscal Agents	(19,038)
Payments for Office Supplies	(99)
Payments for Claims	(214,374)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 26,096</u>
Increase (Decrease) in Cash	\$ 26,096
Cash (Overdraft), July 1, 2010	<u>(5,708)</u>
Cash, June 30, 2011	<u><u>\$ 20,388</u></u>
<u>Reconciliation of Operating Income to Net Cash</u> <u>Provided By (Used In) Operating Activities</u>	
Operating Income	\$ 22,162
Adjustments to Reconcile Net Operating Income to Net Cash Provided By (Used In) Operating Activities:	
Changes in Assets and Liabilities:	
Increase in Due from Other Funds	1,260
Increase in Accounts Payable	2,674
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ 26,096</u></u>
<u>Reconciliation of Cash with the Statement of Net Assets</u>	
Cash per Net Assets	<u>\$ 20,388</u>
Cash, June 30, 2011	<u><u>\$ 20,388</u></u>

MISCELLANEOUS SCHEDULES

Exhibit K-1

Hardin County, Tennessee
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds
Primary Government and Discretely Presented Hardin County School Department
For the Year Ended June 30, 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
PRIMARY GOVERNMENT								
NOTES PAYABLE								
Payable through General Debt Service Fund								
School Buses, Series 2006	\$ 256,400	4.98	10-2-06	10-1-11	\$ 102,560	\$ 0	\$ 51,280	\$ 51,280
Courthouse Renovations, Series 2009	735,000	3.5	5-20-09	5-20-14	588,000	0	147,000	441,000
Energy Efficiency Loan - Courthouse Renovations	27,650	0	6-11-09	7-31-16	27,650	0	3,950	23,700
Capital Outlay Note, Series 2009	305,000	3.46	9-1-09	9-1-14	305,000	0	61,000	244,000
Capital Outlay Note, Series 2010 - Sheriff Vehicles	127,500	2.5	8-31-10	3-1-13	0	127,500	42,500	85,000
Capital Outlay Note, Series 2010 - Solid Waste Trucks	291,000	2.8	8-31-10	3-1-15	0	291,000	58,200	232,800
Capital Outlay Note, Series 2010 - School Buses	385,000	2.8	8-31-10	9-1-15	0	385,000	0	385,000
Capital Outlay Note, Series 2011	50,000	0	3-22-11	3-23-11	0	50,000	50,000	0
Total Payable through General Debt Service Fund					\$ 1,023,210	\$ 853,500	\$ 413,930	\$ 1,462,780
Payable through Rural Debt Service Fund								
Capital Outlay Note, Series 2010	500,000	0	11-4-10	11-4-10	0	500,000	500,000	0
Total Notes Payable					\$ 1,023,210	\$ 1,353,500	\$ 913,930	\$ 1,462,780
CAPITAL LEASES PAYABLE								
Payable through General Fund								
Fire Trucks	427,788	4.75	6-6-03	6-6-13	\$ 149,744	\$ 0	\$ 47,617	\$ 102,127
Fire Trucks	429,882	4.75	11-21-05	11-21-15	257,866	0	42,761	215,105
Fire Trucks	495,000	5.38	7-31-07	7-31-17	376,922	0	44,931	331,991
Telephone Equipment	42,087	7.92	11-17-08	1-1-12	22,287	0	14,564	7,723
Sheriff Department Vehicles, 2009	92,129	6.55	2-20-09	2-23-11	30,668	0	30,668	0
Fire Truck	224,189	5.1	6-28-10	2-15-20	224,189	0	19,747	204,442
Total Payable through General Fund					\$ 1,061,676	\$ 0	\$ 200,288	\$ 861,388
Payable through Highway/Public Works Fund								
Backhoe	70,228	8.35	9-13-07	8-13-10	2,182	0	2,182	0
Total Capital Leases Payable					\$ 1,063,858	\$ 0	\$ 202,470	\$ 861,388

(Continued)

Exhibit K-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-10	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-11
<u>PRIMARY GOVERNMENT (CONT.)</u>								
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
General Obligation Bonds, Series 2007	\$ 8,600,000	3.875 to 4.125 %	5-10-07	6-1-37	\$ 8,030,000	0 \$	200,000 \$	7,830,000
General Obligation Bonds, Series 2008	5,000,000	3.85	2-14-08	6-1-37	4,645,000	0	135,000	4,510,000
Total Payable through General Debt Service Fund					\$ 12,675,000	0 \$	335,000 \$	12,340,000
<u>Payable through Rural Debt Service Fund</u>								
School Refunding Bonds, Series 2002	9,865,000	2 to 3.75	12-17-02	6-1-11	\$ 755,000	0 \$	755,000 \$	0
G.O. BAB School Bonds, Series 2009	10,000,000	3.89	9-15-09	6-1-44	10,000,000	0	0	10,000,000
G.O. BAB School Bonds, Series 2009B	20,000,000	3.78	10-20-09	6-1-44	20,000,000	0	0	20,000,000
G.O. BAB School Bonds, Series 2010	6,000,000	2.84	3-25-10	6-1-26	6,000,000	0	155,000	5,845,000
Total Payable through Rural Debt Service Fund					\$ 36,755,000	0 \$	910,000 \$	35,845,000
Total Bonds Payable					\$ 49,430,000	0 \$	1,245,000 \$	48,185,000
<u>DISCRETELY PRESENTED HARDIN COUNTY SCHOOL DEPARTMENT</u>								
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>								
2007 Dodge Ram 2500	24,362	5.3	1-10-07	2-10-12	\$ 7,681	0 \$	4,904 \$	2,777
2008 Chevrolet Silverado 2500 4x4	25,895	11.4	7-25-08	6-25-12	14,275	0	6,733	7,542
2008 Chevrolet Impala LS	20,483	11.4	7-25-08	6-25-12	11,291	0	5,326	5,965
2008 Chevrolet Silverado with Modified Bed	24,726	17.9	9-26-08	8-26-12	15,297	0	6,336	8,961
Total Capital Leases Payable					\$ 48,544	0 \$	23,299 \$	25,245

Exhibit K-2

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

PRIMARY GOVERNMENT

Year Ending June 30	Notes		
	Principal	Interest	Total
2012	\$ 440,930	\$ 42,640	\$ 483,570
2013	389,650	29,131	418,781
2014	347,150	17,022	364,172
2015	200,150	5,951	206,101
2016	80,950	1,087	82,037
2017	3,950	0	3,950
Total	<u>\$ 1,462,780</u>	<u>\$ 95,831</u>	<u>\$ 1,558,611</u>

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2012	\$ 168,317	\$ 41,399	\$ 209,716
2013	168,694	33,119	201,813
2014	122,476	24,607	147,083
2015	128,819	18,264	147,083
2016	103,562	11,970	115,532
2017	85,682	7,314	92,996
2018	30,202	4,025	34,227
2019	26,152	2,733	28,885
2020	27,484	1,400	28,884
Total	<u>\$ 861,388</u>	<u>\$ 144,831</u>	<u>\$ 1,006,219</u>

Year Ending June 30	Bonds		
	Principal	Interest	Total
2012	\$ 1,125,000	\$ 2,375,034	\$ 3,500,034
2013	1,165,000	2,348,186	3,513,186
2014	1,195,000	2,315,789	3,510,789
2015	1,230,000	2,278,611	3,508,611
2016	1,270,000	2,235,129	3,505,129
2017	1,310,000	2,188,179	3,498,179
2018	1,355,000	2,136,800	3,491,800
2019	1,405,000	2,081,109	3,486,109

(Continued)

Exhibit K-2

Hardin County, Tennessee
Schedule of Long-term Debt Requirements by Year
Primary Government and Discretely Presented Hardin County School Department (Cont.)

PRIMARY GOVERNMENT (CONT.)

Year Ending June 30	Bonds (Cont.)		
	Principal	Interest	Total
2020	\$ 1,450,000	\$ 2,021,698	\$ 3,471,698
2021	1,500,000	1,958,585	3,458,585
2022	1,555,000	1,891,566	3,446,566
2023	1,615,000	1,821,839	3,436,839
2024	1,670,000	1,748,638	3,418,638
2025	1,730,000	1,671,518	3,401,518
2026	1,790,000	1,589,238	3,379,238
2027	1,450,000	1,502,073	2,952,073
2028	1,260,000	1,432,375	2,692,375
2029	1,300,000	1,369,415	2,669,415
2030	1,355,000	1,302,527	2,657,527
2031	1,410,000	1,231,980	2,641,980
2032	1,480,000	1,158,607	2,638,607
2033	1,540,000	1,079,247	2,619,247
2034	1,610,000	996,676	2,606,676
2035	1,670,000	910,307	2,580,307
2036	1,740,000	819,272	2,559,272
2037	1,815,000	724,364	2,539,364
2038	1,275,000	625,375	1,900,375
2039	1,335,000	547,125	1,882,125
2040	1,390,000	465,187	1,855,187
2041	1,450,000	379,875	1,829,875
2042	1,515,000	290,875	1,805,875
2043	1,575,000	197,875	1,772,875
2044	1,650,000	101,250	1,751,250
Total	\$ 48,185,000	\$ 45,796,324	\$ 93,981,324

DISCRETELY PRESENTED HARDIN
COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2012	\$ 23,849	\$ 1,892	\$ 25,741
2013	1,396	31	1,427
Total	\$ 25,245	\$ 1,923	\$ 27,168

Exhibit K-3

Hardin County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2011

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Highway/Public Works	General Debt Service General Debt Service	Debt retirement "	\$ 609,928 228,736
Total Transfers			\$ 838,664

Exhibit K-4

Hardin County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Hardin County School Department
For the Year Ended June 30, 2011

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA, and Chapter 113, Private Acts of 1929, as amended	\$ 72,545 (1) \$	50,000	CNA Surety Company
Highway Commissioner	Section 8-24-102, TCA	67,927	100,000	Western Surety Company
Director of Schools	State Board of Education and Hardin County Board of Education	88,719 (2)	150,000	Tennessee Risk Management Trust
Trustee	Section 8-24-102, TCA	61,750	1,108,100	Auto Owners Insurance
Assessor of Property	Section 8-24-102, TCA	61,750	10,000	Western Surety Company
County Clerk	Section 8-24-102, TCA	61,750	50,000	CNA Surety Company
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	61,750	50,000	"
Clerk and Master	Section 8-24-102, TCA, and Chancery Court Judge	61,750 (3)	105,000	Western Surety Company
Register	Section 8-24-102, TCA	61,750	25,000	CNA Surety Company
Sheriff	Section 8-24-102, TCA	67,928	25,000	"
Employee Blanket Bonds:				
Office of County Mayor:				
Director of Accounts and Budget			10,000	Western Surety Company
All Other Employees			150,000	Local Government Property and Casualty Fund
Office of Highway Commissioner			150,000	"
Office of Director of Schools			150,000	Tennessee Risk Management Trust

(1) Does not include a vehicle allowance of \$6,000. Includes \$1,224 for serving as secretary to the Highway Commission.
(2) Includes \$1,000 for a chief executive officer training supplement.
(3) Does not include \$22,242 in special commissioner fees.

Exhibit K-5

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

	Special Revenue Funds					Debt Service Funds			Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service		
Local Taxes									
County Property Taxes									
Current Property Tax	\$ 3,749,738	\$ 0	\$ 0	\$ 0	\$ 339,835	\$ 190,075	\$ 0	\$ 0	\$ 4,279,648
Trustee's Collections - Prior Year	206,477	0	0	0	18,689	10,452	0	0	235,618
Trustee's Collections - Bankruptcy	65	0	0	0	6	3	0	0	74
Circuit/Clerk & Master Collections - Prior Years	84,454	0	0	0	7,654	4,281	0	0	96,389
Interest and Penalty	71,700	0	0	0	6,501	3,624	0	0	81,825
Payments in-Lieu-of Taxes - T.V.A.	1,591	0	0	0	144	81	0	0	1,816
Payments in-Lieu-of Taxes - Local Utilities	1,040	0	0	0	94	53	0	0	1,187
Payments in-Lieu-of Taxes - Other	18,287	0	0	0	1,657	927	0	0	20,871
County Local Option Taxes									
Local Option Sales Tax	2,019	555,426	0	0	0	0	370,300	0	927,745
Hotel/Motel Tax	220,321	0	0	0	0	0	0	0	220,321
Wheel Tax	963,124	0	0	0	112,271	0	0	0	1,075,395
Litigation Tax - General	124,984	0	0	0	0	0	0	0	124,984
Litigation Tax - Jail, Workhouse, or Courthouse	32,983	0	0	0	0	0	0	0	32,983
Business Tax	130,119	0	0	0	0	0	0	0	130,119
Mineral Severance Tax	0	0	0	0	61,242	0	0	0	61,242
Statutory Local Taxes									
Bank Excise Tax	21,534	0	0	0	1,952	1,092	0	0	24,578
Wholesale Beer Tax	0	382,911	0	0	0	0	0	0	382,911
Interstate Telecommunications Tax	0	755	0	0	0	0	0	0	755
Total Local Taxes	\$ 5,628,436	\$ 939,092	\$ 0	\$ 0	\$ 550,045	\$ 210,588	\$ 370,300	\$ 0	\$ 7,698,461
Licenses and Permits									
Licenses									
Marriage Licenses	\$ 1,762	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,762
Cable TV Franchise	92,172	0	0	0	0	0	0	0	92,172
Permits									
Beer Permits	7,818	0	0	0	0	0	0	0	7,818
Total Licenses and Permits	\$ 101,752	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 101,752

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Funds			Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service		
<u>Fines, Forfeitures, and Penalties</u>									
<u>Circuit Court</u>									
Fines	\$ 4,189	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	4,189
Officers Costs	4,498	0	0	0	0	0	0	0	4,498
Game and Fish Fines	112	0	0	0	0	0	0	0	112
Drug Control Fines	0	0	71	0	0	0	0	0	71
Drug Court Fees	603	0	0	0	0	0	0	0	603
DUI Treatment Fines	1,235	0	0	0	0	0	0	0	1,235
Data Entry Fee - Circuit Court	436	0	0	0	0	0	0	0	436
<u>General Sessions Court</u>									
Fines	43,225	0	0	0	0	0	0	0	43,225
Fines for Littering	380	0	0	0	0	0	0	0	380
Officers Costs	66,460	0	0	0	0	0	0	0	66,460
Game and Fish Fines	2,624	0	0	0	0	0	0	0	2,624
Drug Control Fines	14,217	0	6,463	0	0	0	0	0	20,680
Drug Court Fees	8,032	0	0	0	0	0	0	0	8,032
Jail Fees	3,935	0	0	0	0	0	0	0	3,935
DUI Treatment Fines	10,219	0	0	0	0	0	0	0	10,219
Data Entry Fee - General Sessions Court	4,875	0	0	0	0	0	0	0	4,875
Courtroom Security Fee	910	0	0	0	0	0	0	0	910
<u>Chancery Court</u>									
Data Entry Fee - Chancery Court	2,208	0	0	0	0	0	0	0	2,208
<u>Other Fines, Forfeitures, and Penalties</u>									
Proceeds from Confiscated Property	0	0	26,184	0	0	0	0	0	26,184
Other Fines, Forfeitures, and Penalties	475	0	0	0	0	0	0	0	475
Total Fines, Forfeitures, and Penalties	\$ 168,633	\$ 0	\$ 32,718	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 201,351
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Commercial and Industrial Waste Collection Charge	\$ 0	\$ 317,984	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 317,984
Other General Service Charges	330	1,061	0	0	0	0	0	0	1,391

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Funds			Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service		
<u>Charges for Current Services (Cont.)</u>									
<u>Fees</u>									
Telephone Commissions	\$ 23,762	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 23,762
Constitutional Officers' Fees and Commissions	0	0	0	22,242	0	0	0	0	22,242
Data Processing Fee - Register	10,992	0	0	0	0	0	0	0	10,992
Data Processing Fee - Sheriff	6,689	0	0	0	0	0	0	0	6,689
Sexual Offender Registration Fees - Sheriff	1,200	0	0	0	0	0	0	0	1,200
Data Processing Fee - County Clerk	1,017	0	0	0	0	0	0	0	1,017
Total Charges for Current Services	\$ 43,990	\$ 319,045	\$ 0	\$ 22,242	\$ 0	\$ 0	\$ 0	\$ 0	\$ 385,277
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 214,713	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,833	\$ 0	\$ 229,546
Lease/Rentals	102,311	0	0	0	0	57,600	0	0	159,911
Sale of Maps	517	0	0	0	0	0	0	0	517
Sale of Recycled Materials	0	43,250	0	0	0	0	0	0	43,250
Miscellaneous Refunds	37,302	194	0	0	37,484	0	0	0	74,980
<u>Nonrecurring Items</u>									
Sale of Equipment	0	21,300	0	0	0	0	0	0	21,300
Sale of Property	137,300	0	0	0	0	0	0	0	137,300
Damages Recovered from Individuals	1,536	0	0	0	0	0	0	0	1,536
<u>Other Local Revenues</u>									
Other Local Revenues	1,329	0	0	0	0	26,822	0	0	28,151
Total Other Local Revenues	\$ 495,008	\$ 64,744	\$ 0	\$ 0	\$ 37,484	\$ 84,422	\$ 14,833	\$ 0	\$ 696,491
<u>Fees Received from County Officials</u>									
<u>Fees in-Lieu-of Salary</u>									
County Clerk	\$ 311,544	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 311,544
Circuit Court Clerk	47,278	0	0	0	0	0	0	0	47,278
General Sessions Court Clerk	258,748	0	0	0	0	0	0	0	258,748
Clerk and Master	88,185	0	0	0	0	0	0	0	88,185
Register	120,616	0	0	0	0	0	0	0	120,616

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Funds			Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service		
<u>Federal Government</u>									
<u>Federal Through State</u>									
Disaster Relief	\$ 0	\$ 0	\$ 0	\$ 0	\$ 999,479	\$ 0	\$ 0	\$ 0	\$ 999,479
Homeland Security Grants	497,914	0	0	0	0	0	0	0	497,914
Law Enforcement Grants	11,355	0	0	0	0	0	0	0	11,355
ARRA Grant No. 1	12,356	0	0	0	0	0	0	0	12,356
Other Federal through State	9,600	0	0	0	0	0	0	0	9,600
<u>Direct Federal Revenue</u>									
Tax Credit Bond Rebate	0	0	0	0	0	0	0	674,696	674,696
Other Direct Federal Revenue	57,095	0	0	0	0	0	0	0	57,095
<u>Total Federal Government</u>	\$ 588,320	\$ 0	\$ 0	\$ 0	\$ 999,479	\$ 0	\$ 0	\$ 674,696	\$ 2,262,495
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Prisoner Board	\$ 26,050	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 26,050
Contributions	1,000	0	0	0	0	410,197	1,698,896	0	2,110,093
Contracted Services	100,720	4,923	0	0	0	0	0	0	105,643
<u>Citizens Groups</u>									
Donations	16,180	0	4,217	0	0	0	0	0	20,397
<u>Other</u>									
Other	35,296	0	0	0	0	0	0	0	35,296
<u>Total Other Governments and Citizens Groups</u>	\$ 179,246	\$ 4,923	\$ 4,217	\$ 0	\$ 0	\$ 410,197	\$ 1,698,896	\$ 0	\$ 2,297,479
<u>Total</u>	\$ 9,899,033	\$ 1,341,601	\$ 40,435	\$ 22,242	\$ 4,144,026	\$ 725,565	\$ 2,758,725	\$ 18,931,627	\$ 18,931,627

Exhibit K-6

Hardin County, Tennessee
 Schedule of Detailed Revenues -
All Governmental Fund Types
 Discretely Presented Hardin County School Department
 For the Year Ended June 30, 2011

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 5,339,493	\$ 0	\$ 0	\$ 0	\$ 5,339,493
Trustee's Collections - Prior Year	293,613	0	0	0	293,613
Trustee's Collections - Bankruptcy	93	0	0	0	93
Circuit/Clerk & Master Collections - Prior Years	120,259	0	0	0	120,259
Interest and Penalty	102,099	0	0	0	102,099
Payments in-Lieu-of Taxes - T.V.A.	2,266	0	0	0	2,266
Payments in-Lieu-of Taxes - Local Utilities	1,481	0	0	0	1,481
Payments in-Lieu-of Taxes - Other	26,029	0	0	0	26,029
<u>County Local Option Taxes</u>					
Local Option Sales Tax	3,727,116	0	0	0	3,727,116
<u>Statutory Local Taxes</u>					
Bank Excise Tax	30,664	0	0	0	30,664
Total Local Taxes	\$ 9,643,113	\$ 0	\$ 0	\$ 0	\$ 9,643,113
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 1,762	\$ 0	\$ 0	\$ 0	\$ 1,762
Total Licenses and Permits	\$ 1,762	\$ 0	\$ 0	\$ 0	\$ 1,762
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Lunch Payments - Children	\$ 0	\$ 0	\$ 182,204	\$ 0	\$ 182,204
Lunch Payments - Adults	0	0	78,001	0	78,001
Income from Breakfast	0	0	23,394	0	23,394
A la carte Sales	0	0	309,407	0	309,407
Receipts from Individual Schools	27,753	0	0	0	27,753
<u>Other Charges for Services</u>					
Other Charges for Services	1,919	0	0	0	1,919
Total Charges for Current Services	\$ 29,672	\$ 0	\$ 593,006	\$ 0	\$ 622,678
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 6,424	\$ 69,714	\$ 76,138
Lease/Rentals	1,248	0	0	0	1,248
Miscellaneous Refunds	5,035	0	5,229	0	10,264
<u>Nonrecurring Items</u>					
Sale of Equipment	91,343	0	0	0	91,343
Damages Recovered from Individuals	966	0	0	0	966
Contributions and Gifts	55,237	0	0	0	55,237
<u>Other Local Revenues</u>					
Other Local Revenues	86,573	0	0	0	86,573
Total Other Local Revenues	\$ 240,402	\$ 0	\$ 11,653	\$ 69,714	\$ 321,769
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-Behalf Contributions for OPEB	\$ 144,833	\$ 0	\$ 0	\$ 0	\$ 144,833

(Continued)

Exhibit K-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>State of Tennessee (Cont.)</u>					
<u>State Education Funds</u>					
Basic Education Program	\$ 13,265,595	\$ 0	\$ 0	\$ 0	\$ 13,265,595
Basic Education Program - ARRA	1,450,920	0	0	0	1,450,920
Early Childhood Education	547,315	0	0	0	547,315
School Food Service	20,093	0	0	0	20,093
Driver Education	13,999	0	0	0	13,999
Other State Education Funds	2,012	0	0	0	2,012
Coordinated School Health - ARRA	100,000	0	0	0	100,000
Internet Connectivity - ARRA	10,970	0	0	0	10,970
Statewide Student Management System (SSMS) - ARRA	9,273	0	0	0	9,273
Career Ladder Program	231,389	0	0	0	231,389
Career Ladder - Extended Contract - ARRA	108,440	0	0	0	108,440
<u>Other State Revenues</u>					
Mixed Drink Tax	28,908	0	0	0	28,908
State Revenue Sharing - T.V.A.	571,879	0	0	0	571,879
Safe Schools - ARRA	28,856	0	0	0	28,856
Total State of Tennessee	\$ 16,534,482	\$ 0	\$ 0	\$ 0	\$ 16,534,482
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 912,355	\$ 0	\$ 912,355
USDA - Commodities	0	0	120,778	0	120,778
Breakfast	0	0	350,404	0	350,404
USDA - Other	0	0	64,679	0	64,679
Adult Education State Grant Program	80,819	0	0	0	80,819
Vocational Education - Basic Grants to States	0	84,492	0	0	84,492
Title I Grants to Local Education Agencies	0	1,843,198	0	0	1,843,198
Special Education - Grants to States	22,262	950,636	0	0	972,898
Safe and Drug-free Schools - State Grants	0	229,172	0	0	229,172
Rural Education	0	132,904	0	0	132,904
Eisenhower Professional Development State Grants	0	220,413	0	0	220,413
Job Training Partnership Act	24,375	0	0	0	24,375
Race to the Top - ARRA	0	375,000	0	0	375,000
Other Federal through State	44,204	825,295	0	369,528	1,239,027
Total Federal Government	\$ 171,660	\$ 4,661,110	\$ 1,448,216	\$ 369,528	\$ 6,650,514
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 385,000	\$ 0	\$ 0	\$ 500,000	\$ 885,000
Total Other Governments and Citizens Groups	\$ 385,000	\$ 0	\$ 0	\$ 500,000	\$ 885,000
Total	\$ 27,006,091	\$ 4,661,110	\$ 2,052,875	\$ 939,242	\$ 34,659,318

Exhibit K-7

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

General Fund

General Government

County Commission

Clerical Personnel	\$	6,828	
Board and Committee Members Fees		37,700	
Audit Services		7,673	
Dues and Memberships		1,700	
Operating Lease Payments		3,418	
Legal Services		1,075	
Travel		4,819	
Other Charges		1,712	
Total County Commission			\$ 64,925

Board of Equalization

Board and Committee Members Fees	\$	1,000	
Total Board of Equalization			1,000

Beer Board

Board and Committee Members Fees	\$	3,100	
Office Supplies		298	
Total Beer Board			3,398

Other Boards and Committees

Board and Committee Members Fees	\$	350	
Total Other Boards and Committees			350

County Mayor/Executive

County Official/Administrative Officer	\$	71,321	
Secretary(ies)		24,834	
Clerical Personnel		12,478	
Educational Incentive - Other County Employees		9,000	
Other Fringe Benefits		6,000	
Communication		2,760	
Postal Charges		4,499	
Travel		4,672	
Office Supplies		4,611	
Office Equipment		255	
Total County Mayor/Executive			140,430

County Attorney

Legal Services	\$	5,210	
Total County Attorney			5,210

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission

County Official/Administrative Officer	\$	55,575	
Deputy(ies)		18,234	
Part-time Personnel		3,665	
Board and Committee Members Fees		5,070	
Election Workers		18,760	
In-Service Training		1,150	
Communication		947	
Data Processing Services		18,612	
Legal Notices, Recording, and Court Costs		1,904	
Postal Charges		2,962	
Printing, Stationery, and Forms		9,162	
Travel		1,800	
Office Supplies		2,947	
Office Equipment		991	
Total Election Commission			\$ 141,779

Register of Deeds

County Official/Administrative Officer	\$	61,750	
Deputy(ies)		45,516	
Communication		2,411	
Contracts with Private Agencies		1,016	
Data Processing Services		10,827	
Postal Charges		300	
Travel		1,100	
Other Contracted Services		4,016	
Office Supplies		6,886	
Total Register of Deeds			133,822

County Buildings

Custodial Personnel	\$	87,158
Communication		809
Engineering Services		1,400
Maintenance and Repair Services - Buildings		27,889
Maintenance and Repair Services - Equipment		1,276
Pest Control		1,618
Custodial Supplies		8,530
Food Supplies		2,769
Gasoline		3,927
Small Tools		493
Utilities		74,450

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Other Supplies and Materials	\$	1,379	
Building and Contents Insurance		1,975	
Liability Insurance		198,503	
Premiums on Corporate Surety Bonds		8,349	
Other Charges		22,510	
Building Improvements		58,358	
Maintenance Equipment		863	
Total County Buildings			\$ 502,256

Finance

Accounting and Budgeting

Accountants/Bookkeepers	\$	47,176	
Clerical Personnel		24,957	
Part-time Personnel		13,394	
In-Service Training		451	
Communication		895	
Data Processing Services		7,100	
Printing, Stationery, and Forms		1,000	
Travel		995	
Office Supplies		3,600	
Office Equipment		4,200	
Total Accounting and Budgeting			103,768

Property Assessor's Office

County Official/Administrative Officer	\$	61,750	
Secretary(ies)		23,576	
Clerical Personnel		52,957	
Other Salaries and Wages		9,962	
In-Service Training		1,000	
Communication		1,052	
Contracts with Government Agencies		1,901	
Contracts with Private Agencies		16,455	
Data Processing Services		7,526	
Travel		3,750	
Office Supplies		5,526	
Total Property Assessor's Office			185,455

Reappraisal Program

Other Salaries and Wages	\$	13,239	
Data Processing Services		4,416	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program (Cont.)

Postal Charges	\$	1,358	
Travel		4,750	
Office Supplies		1,965	
Total Reappraisal Program			\$ 25,728

County Trustee's Office

County Official/Administrative Officer	\$	61,750	
Deputy(ies)		23,772	
Part-time Personnel		13,388	
Other Salaries and Wages		23,835	
Communication		2,149	
Data Processing Services		21,032	
Dues and Memberships		1,126	
Postal Charges		6,834	
Travel		882	
Office Supplies		2,679	
Total County Trustee's Office			157,447

County Clerk's Office

County Official/Administrative Officer	\$	61,750	
Deputy(ies)		45,792	
Clerical Personnel		38,083	
Part-time Personnel		40,900	
Educational Incentive - Other County Employees		1,500	
Communication		2,693	
Data Processing Services		18,728	
Postal Charges		6,472	
Travel		1,072	
Office Supplies		6,767	
Office Equipment		290	
Total County Clerk's Office			224,047

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	61,750	
Deputy(ies)		120,331	
Clerical Personnel		24,834	
Part-time Personnel		11,326	
Jury and Witness Expense		15,370	
Communication		2,330	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Data Processing Services	\$	8,999	
Postal Charges		3,334	
Travel		945	
Office Supplies		15,423	
Other Charges		1,564	
Data Processing Equipment		5,361	
Office Equipment		3,889	
Total Circuit Court			\$ 275,456

General Sessions Court

Judge(s)	\$	104,489	
Secretary(ies)		23,161	
Communication		1,051	
Travel		2,379	
Other Contracted Services		250	
Office Supplies		1,693	
Total General Sessions Court			133,023

Drug Court

Remittance of Revenue Collected	\$	18,533	
Total Drug Court			18,533

Chancery Court

County Official/Administrative Officer	\$	61,750	
Deputy(ies)		23,662	
Educational Incentive - Other County Employees		1,500	
Other Salaries and Wages		19,802	
Communication		797	
Data Processing Services		1,929	
Postal Charges		400	
Travel		1,163	
Office Supplies		5,815	
Data Processing Equipment		2,911	
Total Chancery Court			119,729

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	67,928	
Assistant(s)		25,262	
Deputy(ies)		734,695	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Salary Supplements	\$	12,000	
Secretary(ies)		26,849	
In-Service Training		4,499	
Communication		9,703	
Data Processing Services		26,418	
Dues and Memberships		2,000	
Maintenance and Repair Services - Equipment		304	
Maintenance and Repair Services - Vehicles		68,446	
Travel		2,079	
Other Contracted Services		41,616	
Drugs and Medical Supplies		100	
Gasoline		107,039	
Law Enforcement Supplies		3,000	
Office Supplies		8,371	
Uniforms		7,956	
Utilities		4,425	
Other Supplies and Materials		729	
Communication Equipment		274	
Law Enforcement Equipment		2,046	
Motor Vehicles		111,602	
Other Equipment		10,804	
Other Capital Outlay		68,600	
Total Sheriff's Department			\$ 1,346,745

Traffic Control

Deputy(ies)	\$	5,881	
Other Fringe Benefits		2,403	
Total Traffic Control			8,284

Administration of the Sexual Offender Registry

Office Supplies	\$	802	
Total Administration of the Sexual Offender Registry			802

Jail

Guards	\$	716,039	
Attendants		1,000	
In-Service Training		2,866	
Communication		9,517	
Maintenance and Repair Services - Buildings		37,940	
Medical and Dental Services		245,736	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Other Contracted Services	\$	71,941	
Custodial Supplies		18,012	
Food Preparation Supplies		8,704	
Food Supplies		164,932	
Office Supplies		5,306	
Prisoners Clothing		3,251	
Uniforms		4,984	
Utilities		150,240	
Other Supplies and Materials		<u>27,242</u>	
Total Jail			\$ 1,467,710

Juvenile Services

Youth Service Officer(s)	\$	41,974	
Educational Assistants		27,917	
Other Salaries and Wages		22,193	
In-Service Training		1,892	
Communication		1,821	
Data Processing Services		1,650	
Transportation - Other than Students		1,307	
Travel		500	
Office Supplies		2,627	
Office Equipment		<u>1,747</u>	
Total Juvenile Services			103,628

Fire Prevention and Control

Captain(s)	\$	40,760	
Mechanic(s)		79,256	
Part-time Personnel		15,820	
Other Salaries and Wages		4,220	
In-Service Training		5,979	
Communication		5,977	
Maintenance and Repair Services - Buildings		4,278	
Maintenance and Repair Services - Equipment		8,132	
Maintenance and Repair Services - Vehicles		51,828	
Travel		2,000	
Remittance of Revenue Collected		17,224	
Other Contracted Services		2,154	
Drugs and Medical Supplies		837	
Gasoline		41,042	
Instructional Supplies and Materials		2,699	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

Office Supplies	\$	2,192	
Uniforms		3,977	
Utilities		46,016	
Other Supplies and Materials		2,494	
Other Charges		35,928	
Building Improvements		1,635	
Motor Vehicles		173,885	
Site Development		3,838	
Other Equipment		34,746	
Other Capital Outlay		341,967	
Total Fire Prevention and Control			\$ 928,884

Civil Defense

Assistant(s)	\$	29,471	
Supervisor/Director		6,415	
Clerical Personnel		10,898	
Part-time Personnel		7,251	
Other Salaries and Wages		2,109	
Communication		525	
Maintenance and Repair Services - Equipment		1,290	
Maintenance and Repair Services - Vehicles		1,000	
Travel		600	
Equipment and Machinery Parts		3,000	
Gasoline		1,000	
Office Supplies		2,999	
Other Supplies and Materials		9,400	
Motor Vehicles		16,000	
Office Equipment		9,065	
Other Equipment		55,662	
Other Capital Outlay		26,846	
Total Civil Defense			183,531

Other Public Safety

Supervisor/Director	\$	3,247	
Contracts with Government Agencies		232,317	
Total Other Public Safety			235,564

Public Health and Welfare

Local Health Center

Medical Personnel	\$	59,761	
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(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Communication	\$	4,227	
Contracts with Government Agencies		30,650	
Janitorial Services		5,700	
Maintenance and Repair Services - Buildings		5,794	
Postal Charges		496	
Travel		5,098	
Custodial Supplies		936	
Drugs and Medical Supplies		1,936	
Office Supplies		1,340	
Utilities		9,416	
Total Local Health Center			\$ 125,354

Rabies and Animal Control

Other Salaries and Wages	\$	2,300	
Other Contracted Services		47,258	
Office Supplies		140	
Total Rabies and Animal Control			49,698

Ambulance/Emergency Medical Services

Contracts with Private Agencies	\$	100,000	
Utilities		1,506	
Motor Vehicles		175,350	
Total Ambulance/Emergency Medical Services			276,856

Alcohol and Drug Programs

Contributions	\$	25,000	
Total Alcohol and Drug Programs			25,000

Crippled Children Services

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

General Welfare Assistance

Contributions	\$	3,100	
Total General Welfare Assistance			3,100

Other Local Welfare Services

Supervisor/Director	\$	7,308	
Social Security		453	
Unemployment Compensation		132	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Local Welfare Services (Cont.)

Employer Medicare	\$ 106	
Total Other Local Welfare Services		\$ 7,999

Sanitation Education/Information

Foremen	\$ 30,672	
Other Salaries and Wages	25,733	
Maintenance and Repair Services - Equipment	7,399	
Gasoline	2,600	
Instructional Supplies and Materials	7,545	
Other Supplies and Materials	9,126	
Total Sanitation Education/Information		83,075

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$ 24,161	
Custodial Personnel	4,499	
Part-time Personnel	6,723	
Other Salaries and Wages	11,257	
Communication	1,480	
Maintenance and Repair Services - Buildings	995	
Maintenance and Repair Services - Vehicles	1,115	
Postal Charges	88	
Travel	999	
Gasoline	876	
Office Supplies	850	
Utilities	2,456	
Other Supplies and Materials	700	
Vehicle and Equipment Insurance	815	
Total Senior Citizens Assistance		57,014

Libraries

Assistant(s)	\$ 22,412
Supervisor/Director	31,077
Custodial Personnel	5,728
Part-time Personnel	10,763
Other Salaries and Wages	64,736
Communication	4,193
Maintenance and Repair Services - Buildings	2,197
Travel	1,035
Custodial Supplies	1,392

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

Office Supplies	\$	13,473	
Utilities		<u>32,175</u>	
Total Libraries			\$ 189,181

Other Social, Cultural, and Recreational

Contributions	\$	<u>19,500</u>	
Total Other Social, Cultural, and Recreational			19,500

Agriculture and Natural Resources

Agriculture Extension Service

County Official/Administrative Officer	\$	13,728	
Assistant(s)		9,503	
Deputy(ies)		7,831	
Secretary(ies)		9,052	
Social Security		2,342	
Extension Service Medicare		138	
Other Fringe Benefits		3,986	
Maintenance and Repair Services - Buildings		300	
Office Supplies		5,000	
Office Equipment		<u>3,900</u>	
Total Agriculture Extension Service			55,780

Forest Service

Forest Resource Services	\$	<u>1,000</u>	
Total Forest Service			1,000

Soil Conservation

Contributions	\$	<u>24,615</u>	
Total Soil Conservation			24,615

Flood Control

Other Salaries and Wages	\$	2,370	
Contributions		90,095	
Office Supplies		<u>1,491</u>	
Total Flood Control			93,956

Other Agriculture and Natural Resources

Part-time Personnel	\$	3,552	
Food Preparation Supplies		194	
Utilities		<u>967</u>	
Total Other Agriculture and Natural Resources			4,713

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Other Operations

Tourism

Contributions	\$ 209,304	
Total Tourism		\$ 209,304

Tourism-Resort District

Contributions	\$ 91,816	
Total Tourism-Resort District		91,816

Industrial Development

Contracts with Government Agencies	\$ 55,000	
Dues and Memberships	11,802	
Other Charges	1,927	
Total Industrial Development		68,729

Other Economic and Community Development

Other Charges	\$ 14,490	
Land	50,000	
Total Other Economic and Community Development		64,490

Airport

Contributions	\$ 22,500	
Airport Improvement	25,000	
Total Airport		47,500

Veterans' Services

Supervisor/Director	\$ 24,286	
Secretary(ies)	16,370	
Communication	745	
Travel	2,500	
Office Supplies	1,122	
Office Equipment	1,456	
Total Veterans' Services		46,479

Other Charges

Trustee's Commission	\$ 110,315	
Workers' Compensation Insurance	117,020	
Other Self-Insured Claims	8,945	
Total Other Charges		236,280

Contributions to Other Agencies

Contributions	\$ 15,500	
Total Contributions to Other Agencies		15,500

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Other Operations (Cont.)

Employee Benefits

Social Security	\$	224,003	
State Retirement		326,132	
Life Insurance		12,708	
Medical Insurance		703,844	
Dental Insurance		24,859	
Unemployment Compensation		14,010	
Employer Medicare		52,962	
On-Behalf Payments to OPEB		1,724	
Penalties		1,638	
Total Employee Benefits			\$ 1,361,880

ARRA Grant No. 1

Deputy(ies)	\$	8,992	
Other Fringe Benefits		3,364	
Total ARRA Grant No. 1			12,356

Miscellaneous

Medical and Dental Services	\$	90	
Other Charges		8,408	
Total Miscellaneous			8,498

Principal on Debt

General Government

Principal on Capital Leases	\$	200,288	
Total General Government			200,288

Interest on Debt

General Government

Interest on Capital Leases	\$	50,010	
Total General Government			50,010

Total General Fund \$ 9,943,480

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$	47,176	
Secretary(ies)		12,478	
Board and Committee Members Fees		200	
Communication		1,885	

(Continued)

Exhibit K-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Management (Cont.)

Maintenance and Repair Services - Equipment	\$	318	
Travel		1,992	
Office Supplies		3,034	
Other Road Supplies		110	
Total Sanitation Management			\$ 67,193

Waste Pickup

Mechanic(s)	\$	32,591	
Truck Drivers		136,118	
Maintenance and Repair Services - Equipment		54,915	
Gasoline		117,752	
Small Tools		408	
Tires and Tubes		21,190	
Other Supplies and Materials		2,501	
Motor Vehicles		341,000	
Solid Waste Equipment		29,500	
Total Waste Pickup			735,975

Convenience Centers

Laborers	\$	225,791	
Advertising		245	
Communication		6,418	
Maintenance and Repair Services - Buildings		10,817	
Rentals		2,100	
Utilities		18,569	
Other Supplies and Materials		8,001	
Other Charges		571	
Total Convenience Centers			272,512

Landfill Operation and Maintenance

Disposal Fees	\$	357,473	
Other Contracted Services		9,575	
Other Charges		300	
Total Landfill Operation and Maintenance			367,348

Other Operations

Other Charges

Trustee's Commission	\$	13,180	
Workers' Compensation Insurance		47,500	
Total Other Charges			60,680

(Continued)

Exhibit K-7

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

Solid Waste/Sanitation Fund (Cont.)

Other Operations (Cont.)

Employee Benefits

Social Security	\$	27,182	
State Retirement		21,417	
Life Insurance		842	
Medical Insurance		41,625	
Dental Insurance		1,496	
Unemployment Compensation		3,363	
Employer Medicare		6,575	
Total Employee Benefits			\$ 102,500

Total Solid Waste/Sanitation Fund \$ 1,606,208

Drug Control Fund

Public Safety

Drug Enforcement

Investigator(s)	\$	27,244	
Salary Supplements		3,500	
Confidential Drug Enforcement Payments		2,000	
Office Supplies		360	
Law Enforcement Equipment		1,396	
Total Drug Enforcement			\$ 34,500

Other Operations

Other Charges

Workers' Compensation Insurance	\$	1,700	
Total Other Charges			1,700

Employee Benefits

Social Security	\$	1,906	
State Retirement		2,710	
Life Insurance		108	
Medical Insurance		5,445	
Dental Insurance		191	
Unemployment Compensation		108	
Employer Medicare		446	
Total Employee Benefits			10,914

Total Drug Control Fund 47,114

(Continued)

Exhibit K-7

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

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$ 22,242	
Total Chancery Court		\$ 22,242

Total Constitutional Officers - Fees Fund \$ 22,242

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 67,927	
Assistant(s)	45,546	
Secretary to Board	1,224	
Accountants/Bookkeepers	64,950	
Board and Committee Members Fees	5,077	
Communication	19,854	
Data Processing Services	8,699	
Dues and Memberships	3,566	
Maintenance Agreements	488	
Postal Charges	708	
Printing, Stationery, and Forms	939	
Travel	4,403	
Electricity	8,104	
Food Preparation Supplies	2,842	
Natural Gas	1,712	
Office Supplies	3,749	
Water and Sewer	644	
Other Charges	1,193	
Total Administration		\$ 241,625

Highway and Bridge Maintenance

Laborers	\$ 609,083
Clerical Personnel	600
Other Contracted Services	193,973
Asphalt	28,135
Asphalt - Cold Mix	10,000
Asphalt - Hot Mix	312,718
Concrete	171
Crushed Stone	46,683
Office Supplies	861
Pipe	12,614
Road Signs	13,804

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Wood Products	\$	1,535	
Gravel and Chert		15,214	
Other Supplies and Materials		404,999	
Total Highway and Bridge Maintenance			\$ 1,650,390

Operation and Maintenance of Equipment

Mechanic(s)	\$	33,434	
Laborers		22,987	
Maintenance Personnel		33,550	
Maintenance and Repair Services - Equipment		23,377	
Maintenance and Repair Services - Vehicles		5,962	
Diesel Fuel		124,597	
Equipment and Machinery Parts		41,478	
Garage Supplies		6,471	
Gasoline		63,586	
Lubricants		5,578	
Propane Gas		141	
Small Tools		764	
Tires and Tubes		26,996	
Other Supplies and Materials		673	
Total Operation and Maintenance of Equipment			389,594

Other Charges

Liability Insurance	\$	21,287	
Trustee's Commission		28,227	
Workers' Compensation Insurance		111,483	
Total Other Charges			160,997

Employee Benefits

Social Security	\$	69,308	
State Retirement		78,688	
Life Insurance		4,988	
Medical Insurance		200,258	
Dental Insurance		7,444	
Unemployment Compensation		8,475	
Total Employee Benefits			369,161

Capital Outlay

Maintenance and Repair Services - Buildings	\$	2,550	
Data Processing Equipment		364	

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay (Cont.)

State Aid Projects	\$ 627,173	
Other Construction	524,619	
Total Capital Outlay		\$ 1,154,706

Principal on Debt

Highways and Streets

Principal on Capital Leases	\$ 2,182	
Total Highways and Streets		2,182

Total Highway/Public Works Fund \$ 3,968,655

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 215,000	
Principal on Notes	301,650	
Principal on Other Loans	224,000	
Total General Government		\$ 740,650

Highways and Streets

Principal on Bonds	\$ 120,000	
Total Highways and Streets		120,000

Education

Principal on Notes	\$ 112,280	
Total Education		112,280

Interest on Debt

General Government

Interest on Bonds	\$ 394,928	
Interest on Notes	26,311	
Interest on Other Loans	25,152	
Total General Government		446,391

Highways and Streets

Interest on Bonds	\$ 108,736	
Total Highways and Streets		108,736

Education

Interest on Notes	\$ 18,976	
Total Education		18,976

(Continued)

Exhibit K-7

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

<u>General Debt Service Fund (Cont.)</u>			
<u>Other Debt Service</u>			
<u>General Government</u>			
Trustee's Commission	\$	4,930	
Other Debt Service		<u>33,358</u>	
Total General Government			\$ <u>38,288</u>
Total General Debt Service Fund			\$ 1,585,321
<u>Rural Debt Service Fund</u>			
<u>Principal on Debt</u>			
<u>Education</u>			
Principal on Bonds	\$	910,000	
Principal on Notes		<u>500,000</u>	
Total Education			\$ 1,410,000
<u>Interest on Debt</u>			
<u>Education</u>			
Interest on Bonds	\$	<u>1,956,015</u>	
Total Education			1,956,015
<u>Other Debt Service</u>			
<u>Education</u>			
Trustee's Commission	\$	3,711	
Other Debt Service		<u>3,678</u>	
Total Education			<u>7,389</u>
Total Rural Debt Service Fund			3,373,404
<u>Education Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Education Capital Projects</u>			
Contributions	\$	<u>885,000</u>	
Total Education Capital Projects			\$ <u>885,000</u>
Total Education Capital Projects Fund			<u>885,000</u>
Total Governmental Funds - Primary Government			\$ <u>21,431,424</u>

Exhibit K-8

Hardin County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Hardin County School Department
For the Year Ended June 30, 2011

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	7,615,477	
Career Ladder Program		121,900	
Career Ladder Extended Contracts		63,020	
Educational Assistants		170,429	
Other Salaries and Wages		22,796	
Certified Substitute Teachers		180,113	
Social Security		478,402	
State Retirement		718,378	
Medical Insurance		1,397,499	
Dental Insurance		63,313	
Employer Medicare		112,695	
Maintenance and Repair Services - Equipment		1,800	
Other Contracted Services		13,796	
Instructional Supplies and Materials		63,648	
Textbooks		140,724	
Other Supplies and Materials		81,284	
Regular Instruction Equipment		20,283	
Total Regular Instruction Program			\$ 11,265,557

Alternative Instruction Program

Teachers	\$	21,412	
Career Ladder Program		2,500	
Homebound Teachers		88,190	
Educational Assistants		8,311	
Certified Substitute Teachers		632	
Social Security		4,395	
State Retirement		10,962	
Medical Insurance		25,203	
Dental Insurance		1,002	
Employer Medicare		1,028	
Instructional Supplies and Materials		1,596	
Other Supplies and Materials		829	
Total Alternative Instruction Program			166,060

Special Education Program

Teachers	\$	1,075,200
Career Ladder Program		15,742
Homebound Teachers		33,340
Educational Assistants		16,787

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Certified Substitute Teachers	\$	14,768	
Social Security		69,119	
State Retirement		103,336	
Medical Insurance		181,690	
Dental Insurance		9,490	
Employer Medicare		16,122	
Maintenance and Repair Services - Equipment		264	
Instructional Supplies and Materials		85	
Other Supplies and Materials		10,989	
Other Charges		96	
Total Special Education Program			\$ 1,547,028

Vocational Education Program

Teachers	\$	667,524	
Career Ladder Program		5,000	
Certified Substitute Teachers		10,077	
Social Security		38,337	
State Retirement		58,707	
Medical Insurance		124,774	
Dental Insurance		5,677	
Employer Medicare		9,303	
Other Supplies and Materials		28,017	
Total Vocational Education Program			947,416

Adult Education Program

Teachers	\$	6,741	
Other Salaries and Wages		30,897	
Social Security		1,916	
State Retirement		292	
Employer Medicare		546	
Instructional Supplies and Materials		627	
Other Supplies and Materials		109	
Total Adult Education Program			41,128

Support Services

Attendance

Supervisor/Director	\$	57,992	
Clerical Personnel		48,491	
Social Security		6,570	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

State Retirement	\$	10,114	
Medical Insurance		29,112	
Dental Insurance		1,670	
Employer Medicare		1,537	
Travel		2,654	
Other Supplies and Materials		931	
In Service/Staff Development		1,425	
Other Charges		50	
Total Attendance			\$ 160,546

Health Services

Medical Personnel	\$	193,290	
Social Security		10,578	
State Retirement		17,648	
Medical Insurance		36,594	
Dental Insurance		2,171	
Employer Medicare		2,477	
Travel		1,055	
Other Contracted Services		11,000	
Drugs and Medical Supplies		9,692	
Other Supplies and Materials		2,970	
Total Health Services			287,475

Other Student Support

Career Ladder Program	\$	7,595	
Guidance Personnel		544,431	
Attendants		62,401	
Other Salaries and Wages		93,910	
Social Security		40,603	
State Retirement		61,990	
Medical Insurance		126,017	
Dental Insurance		5,900	
Employer Medicare		9,909	
Communication		7,440	
Contracts with Government Agencies		68,460	
Evaluation and Testing		14,377	
Travel		7,095	
Other Contracted Services		18,023	
Other Supplies and Materials		20,118	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

In Service/Staff Development	\$	2,296	
Other Charges		44	
Total Other Student Support			\$ 1,090,609

Regular Instruction Program

Supervisor/Director	\$	113,753	
Career Ladder Program		15,926	
Librarians		354,360	
Instructional Computer Personnel		115,115	
Clerical Personnel		28,853	
Educational Assistants		51,738	
Other Salaries and Wages		54,930	
Social Security		39,622	
State Retirement		60,122	
Medical Insurance		103,040	
Dental Insurance		5,343	
Employer Medicare		10,267	
Maintenance and Repair Services - Equipment		7,207	
Travel		6,551	
Other Contracted Services		21,670	
Library Books/Media		37,243	
Other Supplies and Materials		9,418	
In Service/Staff Development		2,170	
Other Charges		3,585	
Other Equipment		15,327	
Total Regular Instruction Program			1,056,240

Alternative Instruction Program

Supervisor/Director	\$	52,139	
Social Security		2,925	
State Retirement		4,719	
Medical Insurance		9,687	
Dental Insurance		334	
Employer Medicare		684	
Travel		3,622	
Other Supplies and Materials		985	
In Service/Staff Development		658	
Other Charges		90	
Total Alternative Instruction Program			75,843

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program

Supervisor/Director	\$	65,172	
Career Ladder Program		2,917	
Assessment Personnel		40,089	
Speech Pathologist		14,369	
Social Security		7,434	
State Retirement		11,467	
Medical Insurance		11,804	
Dental Insurance		668	
Employer Medicare		1,739	
Travel		4,705	
Other Supplies and Materials		371	
In Service/Staff Development		145	
Other Charges		1,485	
Total Special Education Program			\$ 162,365

Vocational Education Program

Supervisor/Director	\$	31,809	
Career Ladder Program		1,000	
Secretary(ies)		9,807	
Other Salaries and Wages		2,492	
Social Security		2,587	
State Retirement		4,174	
Medical Insurance		15,100	
Dental Insurance		668	
Employer Medicare		605	
Travel		2,949	
Other Supplies and Materials		353	
In Service/Staff Development		393	
Total Vocational Education Program			71,937

Adult Programs

Supervisor/Director	\$	52,949	
Career Ladder Program		917	
Social Security		3,314	
State Retirement		4,875	
Medical Insurance		5,907	
Dental Insurance		334	
Employer Medicare		775	
Travel		2,646	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs (Cont.)

In Service/Staff Development	\$	425	
Other Charges		1,745	
Other Equipment		4,078	
Total Adult Programs			\$ 77,965

Other Programs

On-Behalf Payments to OPEB	\$	144,833	
Total Other Programs			144,833

Board of Education

Board and Committee Members Fees	\$	9,741	
Dental Insurance		2,505	
Unemployment Compensation		19,947	
Other Fringe Benefits		120,950	
Audit Services		17,000	
Dues and Memberships		5,651	
Legal Services		11,664	
Travel		6,086	
Other Contracted Services		2,500	
Other Supplies and Materials		528	
Liability Insurance		46,142	
Trustee's Commission		204,027	
Workers' Compensation Insurance		148,907	
In Service/Staff Development		3,420	
Other Charges		202	
Total Board of Education			599,270

Director of Schools

County Official/Administrative Officer	\$	87,719	
Career Ladder Program		1,000	
Secretary(ies)		34,374	
Clerical Personnel		17,187	
Social Security		8,662	
State Retirement		13,180	
Medical Insurance		16,792	
Dental Insurance		1,002	
Employer Medicare		2,026	
Communication		8,993	
Dues and Memberships		4,903	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Maintenance and Repair Services - Equipment	\$	1,544	
Postal Charges		3,011	
Travel		4,944	
Other Contracted Services		4,491	
Office Supplies		7,759	
Other Supplies and Materials		36	
In Service/Staff Development		230	
Other Charges		590	
Total Director of Schools			\$ 218,443

Office of the Principal

Principals	\$	411,964	
Career Ladder Program		9,917	
Accountants/Bookkeepers		92,986	
Assistant Principals		437,408	
Secretary(ies)		28,359	
Clerical Personnel		61,258	
Social Security		61,196	
State Retirement		95,577	
Medical Insurance		173,160	
Dental Insurance		9,267	
Employer Medicare		14,323	
Communication		10,142	
Dues and Memberships		1,250	
Maintenance and Repair Services - Equipment		10,540	
Travel		1,299	
Other Contracted Services		58,108	
Other Supplies and Materials		7,160	
In Service/Staff Development		725	
Administration Equipment		29,206	
Total Office of the Principal			1,513,845

Fiscal Services

Supervisor/Director	\$	63,770	
Accountants/Bookkeepers		34,374	
Clerical Personnel		18,360	
Social Security		7,110	
State Retirement		11,639	
Medical Insurance		16,942	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

Dental Insurance	\$	1,002	
Employer Medicare		1,663	
Data Processing Services		6,063	
Maintenance and Repair Services - Equipment		1,955	
Travel		791	
Other Contracted Services		364	
Data Processing Supplies		2,310	
Office Supplies		1,792	
Other Supplies and Materials		17	
In Service/Staff Development		160	
Other Charges		17	
Total Fiscal Services			\$ 168,329

Human Services/Personnel

Supervisor/Director	\$	49,853	
Employer Medicare		723	
Office Supplies		49	
Other Supplies and Materials		623	
In Service/Staff Development		10	
Total Human Services/Personnel			51,258

Operation of Plant

Custodial Personnel	\$	356,377	
Social Security		21,658	
State Retirement		33,350	
Medical Insurance		138,206	
Dental Insurance		8,488	
Employer Medicare		5,104	
Janitorial Services		37,917	
Laundry Service		15,448	
Disposal Fees		16,437	
Other Contracted Services		26,273	
Custodial Supplies		75,788	
Electricity		1,024,050	
Natural Gas		103,530	
Water and Sewer		78,490	
Other Supplies and Materials		54,901	
Boiler Insurance		7,203	
Building and Contents Insurance		131,225	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Other Charges	\$	10,695	
Plant Operation Equipment		573,173	
Total Operation of Plant			\$ 2,718,313

Maintenance of Plant

Supervisor/Director	\$	38,522	
Maintenance Personnel		84,329	
Social Security		7,511	
State Retirement		12,150	
Medical Insurance		29,821	
Dental Insurance		1,837	
Employer Medicare		1,757	
Maintenance and Repair Services - Buildings		71,493	
Maintenance and Repair Services - Equipment		74,132	
Other Contracted Services		900	
Equipment and Machinery Parts		45,729	
General Construction Materials		53,863	
Other Supplies and Materials		11,517	
Other Charges		892	
Maintenance Equipment		31,578	
Total Maintenance of Plant			466,031

Transportation

Supervisor/Director	\$	43,127	
Mechanic(s)		59,366	
Bus Drivers		391,460	
Social Security		29,777	
State Retirement		44,697	
Medical Insurance		45,858	
Dental Insurance		2,672	
Employer Medicare		7,098	
Contracts with Parents		9,185	
Maintenance and Repair Services - Vehicles		6,433	
Medical and Dental Services		4,162	
Other Contracted Services		415	
Diesel Fuel		177,821	
Garage Supplies		14,652	
Gasoline		16,051	
Lubricants		6,080	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Tires and Tubes	\$	17,323	
Vehicle Parts		61,603	
Other Supplies and Materials		11,741	
Vehicle and Equipment Insurance		40,515	
In Service/Staff Development		650	
Other Charges		4,835	
Transportation Equipment		<u>325,186</u>	
Total Transportation	\$		1,320,707

Central and Other

Supervisor/Director	\$	69,875	
Career Ladder Program		917	
Other Salaries and Wages		24,791	
Social Security		4,280	
State Retirement		6,407	
Medical Insurance		6,114	
Dental Insurance		334	
Employer Medicare		1,360	
Travel		3,573	
Other Contracted Services		297	
Office Supplies		1,558	
Other Supplies and Materials		1,520	
In Service/Staff Development		<u>1,264</u>	
Total Central and Other			122,290

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	66,686	
Career Ladder Program		3,000	
Accountants/Bookkeepers		34,374	
Other Salaries and Wages		3,456	
Social Security		6,427	
State Retirement		9,982	
Medical Insurance		312,205	
Dental Insurance		18,757	
Employer Medicare		1,503	
Communication		2,000	
Travel		2,111	
In Service/Staff Development		675	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Food Service Equipment	\$ 26,300	
Total Food Service		\$ 487,476

Early Childhood Education

Teachers	\$ 228,165	
Career Ladder Program	1,833	
Educational Assistants	89,688	
Other Salaries and Wages	31,089	
Certified Substitute Teachers	1,870	
Social Security	20,859	
State Retirement	30,158	
Medical Insurance	77,358	
Dental Insurance	4,230	
Employer Medicare	4,878	
Travel	3,310	
Instructional Supplies and Materials	27,764	
Other Supplies and Materials	3,304	
In Service/Staff Development	2,614	
Other Charges	1,903	
Other Equipment	19,296	
Total Early Childhood Education		548,319

Capital Outlay

Regular Capital Outlay

Architects	\$ 81,888	
Building Improvements	534,065	
Total Regular Capital Outlay		615,953

Principal on Debt

Education

Principal on Capital Leases	\$ 23,299	
Total Education		23,299

Interest on Debt

Education

Interest on Capital Leases	\$ 4,792	
Total Education		4,792

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 1,556,630	
Total Education		\$ 1,556,630

Total General Purpose School Fund \$ 27,509,957

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 1,486,369	
Educational Assistants	180,388	
Other Salaries and Wages	7,000	
Certified Substitute Teachers	12,579	
Social Security	100,433	
State Retirement	152,363	
Medical Insurance	284,989	
Dental Insurance	17,950	
Employer Medicare	23,488	
Maintenance and Repair Services - Equipment	723	
Other Contracted Services	47,153	
Instructional Supplies and Materials	88,044	
Other Supplies and Materials	14,419	
Other Charges	1,982	
Regular Instruction Equipment	74,542	
Total Regular Instruction Program		\$ 2,492,422

Special Education Program

Teachers	\$ 20,292	
Educational Assistants	285,952	
Speech Pathologist	47,859	
Social Security	21,242	
State Retirement	31,189	
Medical Insurance	155,173	
Dental Insurance	9,518	
Employer Medicare	4,968	
Contracts with Private Agencies	65,913	
Evaluation and Testing	816	
Instructional Supplies and Materials	51,543	
Other Supplies and Materials	10,012	
Special Education Equipment	19,123	
Total Special Education Program		723,600

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Teachers	\$	35,237	
Social Security		2,096	
State Retirement		3,189	
Medical Insurance		5,447	
Dental Insurance		334	
Employer Medicare		490	
Other Contracted Services		1,000	
Instructional Supplies and Materials		619	
Vocational Instruction Equipment		19,588	
Total Vocational Education Program			\$ 68,000

Support Services

Other Student Support

Other Salaries and Wages	\$	7,200	
Social Security		444	
State Retirement		666	
Employer Medicare		104	
Travel		15,807	
Other Contracted Services		985	
Other Supplies and Materials		31,750	
Other Charges		56	
Total Other Student Support			57,012

Regular Instruction Program

Supervisor/Director	\$	75,011	
Other Salaries and Wages		471,200	
In-Service Training		7,316	
Social Security		33,880	
State Retirement		50,183	
Medical Insurance		58,947	
Dental Insurance		2,978	
Employer Medicare		7,934	
Consultants		1,500	
Travel		14,655	
Other Contracted Services		990	
Library Books/Media		18,836	
Other Supplies and Materials		237,561	
In Service/Staff Development		144,361	
Other Charges		1,159	

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Other Equipment	\$ 2,495	
Total Regular Instruction Program		\$ 1,129,006

Special Education Program

Psychological Personnel	\$ 44,992	
Assessment Personnel	59,660	
Secretary(ies)	10,910	
Speech Pathologist	3,592	
Social Security	6,504	
State Retirement	11,309	
Medical Insurance	22,389	
Dental Insurance	1,141	
Employer Medicare	1,521	
Communication	125	
Travel	8,935	
Other Supplies and Materials	2,629	
In Service/Staff Development	6,002	
Other Equipment	9,979	
Total Special Education Program		189,688

Transportation

Bus Drivers	\$ 41,582	
Social Security	2,420	
State Retirement	3,934	
Employer Medicare	566	
Contracts with Parents	125	
Diesel Fuel	16,000	
Total Transportation		64,627

Total School Federal Projects Fund		\$ 4,724,355
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Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$ 649,557
Other Salaries and Wages	41,521
Social Security	41,305
State Retirement	57,845
Employer Medicare	9,847

(Continued)

Exhibit K-8

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Communication	\$	5,433	
Maintenance and Repair Services - Equipment		19,674	
Transportation - Other than Students		9,104	
Travel		11,091	
Other Contracted Services		21,861	
Food Preparation Supplies		68,131	
Food Supplies		966,686	
Office Supplies		8,295	
USDA - Commodities		120,778	
Other Supplies and Materials		50,797	
In Service/Staff Development		6,831	
Other Charges		2,875	
Food Service Equipment		120,177	
Total Food Service			\$ <u>2,211,808</u>

Total Central Cafeteria Fund \$ 2,211,808

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Administration Equipment	\$	40,199	
Building Construction		3,128,565	
Building Improvements		785,289	
Data Processing Equipment		198,249	
Food Service Equipment		135,848	
Furniture and Fixtures		73,403	
Maintenance Equipment		29,582	
Regular Instruction Equipment		64,544	
Site Development		1,779,248	
Total Education Capital Projects			\$ <u>6,234,927</u>

Total Education Capital Projects Fund 6,234,927

Total Governmental Funds - Hardin County School Department \$ 40,681,047

Exhibit K-9

Hardin County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2011

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 2,789,046
Total Cash Receipts	<u>\$ 2,789,046</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 2,761,155
Trustee's Commission	27,891
Total Cash Disbursements	<u>\$ 2,789,046</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

January 17, 2012

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, Tennessee, as of and for the year ended June 30, 2011, which collectively comprise Hardin County's basic financial statements and have issued our report thereon dated January 17, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Park Rest Hardin County Health Center and the discretely presented Hardin Medical Center, Hardin County Convention and Visitors Bureau, and Hardin County Emergency Communications District as described in our report on Hardin County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hardin County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of

expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hardin County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hardin County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 Hardin County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness: 11.03.

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. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 11.01, 11.06, 11.07, 11.08, and 11.09.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hardin County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items 11.02, 11.04, and 11.05.

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

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

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

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a prominent vertical stroke at the beginning.

Justin P. Wilson
Comptroller of the Treasury

JPW/sb



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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

January 17, 2012

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Hardin County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Hardin County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Hardin County's management. Our responsibility is to express an opinion on Hardin County's compliance based on our audit.

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

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

In our opinion, Hardin County complied, in all material respects, with the requirements referred to above that 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 Hardin County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Hardin County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 Hardin 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

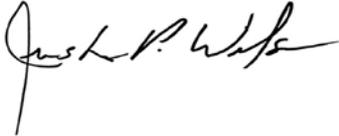
We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County as of and for the year ended June 30, 2011, and have issued our report thereon dated January 17, 2012. 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.

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

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

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical stroke extending downwards from the end.

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

Hardin 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	\$ 350,404
National School Lunch Program	10.555	N/A	912,355 (3)
Summer Food Service Program for Children	10.559	N/A	64,679
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	120,778 (3)
Emergency Watershed Protection Program, Recovery Act	10.923	N/A	212,153
Direct Program:			
Watershed Protection and Flood Prevention, Recovery Act	10.904	N/A	57,095
Total U.S. Department of Agriculture			\$ 1,717,464
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(2)	\$ 9,400
Passed-through State Office of Criminal Justice Programs:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	(2)	11,355
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	(2)	12,356
Total U.S. Department of Justice			\$ 33,111
U.S. Department of Labor:			
Passed-through Southwest Human Resource Agency:			
Incentive Grants - WIA Section 503	17.267	(2)	\$ 24,375
Total U.S. Department of Labor			\$ 24,375
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
State and Community Highway Safety	20.600	(2)	\$ 8,096
Total U.S. Department of Transportation			\$ 8,096
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	N/A	\$ 80,819
Passed-through State Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	N/A	1,420,389
Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A	410,920
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	780,887
Special Education - Preschool Grants	84.173	N/A	26,368
Special Education Grants to States, Recovery Act	84.391	N/A	157,082
Special Education - Preschool Grants, Recovery Act	84.392	N/A	17,642
Career and Technical Education - Basic Grants to States	84.048	N/A	84,492
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	96
Twenty-first Century Community Learning Centers	84.287	N/A	249,600
Educational Technology State Grants Cluster:			
Educational Technology State Grants	84.318	N/A	6,940
Educational Technology State Grants, Recovery Act	84.386	N/A	19,240

(Continued)

Hardin County, Tennessee

Schedule of Expenditures of Federal Awards and State Grants (1) (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Education (Cont.):			
Passed-through State Department of Education (Cont.):			
Rural Education	84.358	N/A	\$ 118,097
Improving Teacher Quality State Grants	84.367	N/A	202,318
State Fiscal Stabilization Fund Cluster:			
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	N/A	1,450,920
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	N/A	257,539
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	375,000
Education Jobs Fund	84.410	N/A	779,990
Total U.S. Department of Education			<u>\$ 6,438,339</u>
U.S. Department of Health and Human Services:			
Passed-through State Commission on Aging:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	(2)	\$ 26,707
Passed-through State Department of Education:			
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	93.714	(2)	40,563
Total U.S. Department of Health and Human Services			<u>\$ 67,270</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(2)	\$ 999,479
Hazard Mitigation Grant	97.039	(2)	369,528
Emergency Maintenance Performance Grants	97.042	(2)	12,155
Assistance to Firefighters Grant	97.044	(2)	374,881
Homeland Security Grant Program	97.067	(2)	82,508
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	(2)	37,970
Total U.S. Department of Homeland Security			<u>\$ 1,876,521</u>
Total Expenditures of Federal Awards			<u>\$ 10,165,176</u>
State Grants:			
Litter Program - State Department of Transportation	N/A	(2)	\$ 32,780
Library Grant - State Library and Archives	N/A	(2)	15,138
Connectenn - State Department of Education	N/A	(2)	2,012
HIV Prevention Education - State Department of Education	N/A	(2)	900
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	13,797
Early Childhood Education - State Department of Education	N/A	(2)	547,315
Total State Grants			<u>\$ 611,942</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 \$1,033,133.

Hardin 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 Hardin County, Tennessee, for the year ended June 30, 2010, which have not been corrected.

OFFICE OF HIGHWAY COMMISSIONER

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.01	191	Material audit adjustments were required for proper financial statement presentation
10.02 (B)	191	The office had accounting deficiencies

OFFICE OF DIRECTOR OF SCHOOLS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.03	192	Expenditures exceeded appropriations
10.05	193	The office did not implement adequate controls to protect its information resources

OTHER FINDING

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.07	194	Duties were not segregated adequately in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Register, and Sheriff

HARDIN COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2011

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Hardin County is unqualified.
2. The audit of the financial statements of Hardin County disclosed significant deficiencies in internal control. One of these deficiencies was considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of Hardin County.
4. The audit disclosed no 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); 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 Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395); Education Jobs Fund (CFDA No. 84.410); Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036); and Assistance to Firefighters Grant (CFDA No. 97.044) were determined to be major programs.
8. A \$304,955 threshold was used to distinguish between Type A and Type B federal programs.
9. Hardin County did qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The county mayor, the School Department's chief financial officer, and the clerk and master 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 **EMPLOYEES OF THE SOLID WASTE DEPARTMENT SOLD SCRAP METAL FOR PERSONAL GAIN** (Internal Control – Significant Deficiency Under *Government Auditing Standards*)

On July 9, 2010, auditors received allegations concerning the removal of scrap metal from county dumpsters by employees of the Hardin County Solid Waste Department. As a result of our investigation, certain employees of the Solid Waste Department admitted to us that they had removed scrap metal from the county's Solid Waste Department and sold it for personal gain. One employee interviewed also maintains a personal scrap metal business. Management of the Solid Waste Department had knowledge of this illegal activity; however, they did not take corrective action. Auditors could not ascertain the amount and the value of the scrap metal sold. This practice by county employees resulted in a loss of revenue from the sale of scrap metal by the Solid Waste Department. This finding has been reviewed with the district attorney.

RECOMMENDATION

County officials should seek to recover any funds determined to have been generated from the unauthorized removal of scrap metal. The Solid Waste Department should maintain lists detailing items sold as scrap and reconcile the sale proceeds from the recycler with amounts deposited with the county trustee.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

The Solid Waste Department has implemented a zero tolerance policy regarding the removal of scrap metal belonging to Hardin County by anyone for personal gain. The policy has been explained to each employee on an individual basis, and every employee has been given a copy of the policy. Every employee has been required to sign a copy of the policy, and the signed copies have been placed on file in the Solid Waste Office. A copy of the policy has also been prominently displayed at each of the convenience centers for the public to view. The policy states that any instance of metal being improperly removed from the convenience centers by an employee will be punishable by immediate termination. The policy also states that any individual not employed by Hardin County who is caught improperly removing metal is punishable by law. Also, detailed records will continue to be kept of scrap metal transactions including weight tickets, copies of payment checks, and deposit slips.

FINDING 11.02 THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES
(Noncompliance Under *Government Auditing Standards*)

System backups were not stored off-site on a weekly basis. Section 10-7-121, *Tennessee Code Annotated*, provides that records required to be retained by any government official may be maintained on a computer or removable storage media as long as certain standards are met. One of these standards requires that all data generated and stored within the computer system be copied to storage media daily, and media more than one week old be stored at an off-site location. This deficiency is the result of management's failure to implement adequate disaster recovery planning procedures. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process. Proper system backup procedures were implemented in May 2011.

RECOMMENDATION

Management should ensure system backups are rotated off-site weekly.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

The Hardin County Office of Accounting and Budgeting completed a daily backup each workday and a weekly backup every week. These backups were locked in a fireproof safe on-site. Weekly backups were also stored in a secure off-site location every two weeks. Beginning in May 2011, weekly backups are now stored off-site on a weekly basis.

OFFICE OF HIGHWAY COMMISSIONER

FINDING 11.03 MATERIAL AUDIT ADJUSTMENTS WERE REQUIRED FOR PROPER FINANCIAL STATEMENT PRESENTATION
(Internal Control – Material Weakness Under *Government Auditing Standards*)

At June 30, 2011, various general ledger account balances of the Highway/Public Works Fund were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require Hardin County to have adequate internal controls over the maintenance of its accounting records. Material audit adjustments were required because the county's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the county has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

Hardin County should have appropriate processes in place to ensure that its general ledgers are materially correct.

FINDING 11.04 **EXPENDITURES EXCEEDED APPROPRIATIONS**
(Noncompliance Under *Government Auditing Standards*)

Expenditures exceeded total appropriations approved by the County Commission in the Highway/Public Works Fund by \$284,794. 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.” This deficiency existed because management failed to stay within the spending limits authorized by the County Commission, which resulted in unauthorized expenditures. Also, management failed to correct the deficiency noted in the prior-year audit report.

RECOMMENDATION

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

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 11.05 **EXPENDITURES EXCEEDED APPROPRIATIONS**
(Noncompliance Under *Government Auditing Standards*)

Expenditures exceeded appropriations approved by the County Commission as noted below:

- A. Expenditures exceeded appropriations in the following major appropriation categories (the legal level of control) of the General Purpose School Fund:

<u>Major Category</u>	<u>Amount Overspent</u>
Regular Instruction Program	\$ 25,445
Office of the Principal	13,882
Transportation	27,274
Early Childhood Education	4,427

- B. Salaries exceeded line-item appropriations in the General Purpose School and School Federal Projects funds by amounts ranging from \$77 to \$33,640.

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 for 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. Also, management failed to correct the deficiency noted in the prior-year audit report.

RECOMMENDATION

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

MANAGEMENT’S RESPONSE – SCHOOL DEPARTMENT CHIEF FINANCIAL OFFICER

As always, we strive to keep expenditures within approved appropriations. However, occasionally, line-items or even categories are exceeded. We have, however, identified some major categories that exceed appropriations on a recurring basis. We have put in place controls that we feel will help keep those major categories from exceeding budgeted amounts in the future. As always, we will continue to work on improving our internal monitoring of expenditures as they relate to the budget.

FINDING 11.06 **THE OFFICE DID NOT IMPLEMENT ADEQUATE CONTROLS TO PROTECT ITS INFORMATION RESOURCES** (Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The office did not implement adequate controls to protect its information resources. This finding does not identify specific vulnerabilities that could allow someone to exploit the office’s information system or misuse county funds. Disclosing those vulnerabilities could present a potential security risk by providing the readers with information that might be confidential pursuant to Section 10-7-504(i), *Tennessee Code Annotated*. Sound business practices dictate that proper controls be implemented. Without these controls, unauthorized system activity could occur. After this deficiency was brought to the attention of the official, it was resolved.

RECOMMENDATION

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

OFFICE OF CLERK AND MASTER

FINDING 11.07 **THE OFFICE DID NOT REVIEW ITS SOFTWARE AUDIT LOGS**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The software application used by the office generated a daily log that displayed changes made by the users. This log provided the only audit trail of these changes and should be reviewed for inappropriate activity. Because management was not aware of its existence, the official did not begin reviewing this log until we brought it to her attention in May 2011. Procedures for reviewing this log are currently in place.

OFFICES OF TRUSTEE AND CLERK AND MASTER

FINDING 11.08 **MULTIPLE EMPLOYEES OPERATED FROM THE SAME CASH DRAWER**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Multiple employees operated from the same cash drawer in the Offices of Trustee and Clerk and Master. Good internal controls dictate that each employee have their own cash drawer, start the day with a standard fixed amount of cash, and remove all but the beginning amount at the end of the day. This amount should be verified to the employee's receipts at the end of each day. Failure to adhere to this control regimen greatly increases the risk that a cash shortage may not be detected in a timely manner. Furthermore, in the event of a cash shortage, the official would not be able to determine who was responsible for the shortage because multiple employees were working from one cash drawer. This deficiency has been a management decision by the officials resulting in a loss of control over assets.

RECOMMENDATION

Officials should assign each employee their own cash drawer.

MANAGEMENT'S RESPONSE – CLERK AND MASTER

Separate cash drawers have been assigned to each employee.

**OFFICES OF TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS
COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**

FINDING 11.09

DUTIES WERE NOT SEGREGATED ADEQUATELY

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

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

RECOMMENDATION

The officials should segregate duties to the extent possible using available resources.

MANAGEMENT'S RESPONSE – CLERK AND MASTER

The office employs one full-time deputy clerk and two part-time deputy clerks. At any given time, the office is staffed with one to three persons, including the clerk and master. Within our small office, we strive to segregate to the extent possible the accounting and financial duties as recommended in the finding; however, we cannot fully comply without adding staff. Until the daily demands of the office increase and necessitate additional staff, I am reluctant to ask the county to fund a new position but will do all I can to segregate duties within our current staffing structure.

AUDITOR'S COMMENT

We realize that due to limited resources and personnel, management may not be able to fully segregate duties among employees. However, our professional standards require that we bring this matter to your attention.

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 Hardin County.

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

Hardin 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.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

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

ITEM 2. **HARDIN COUNTY SHOULD ESTABLISH AN AUDIT COMMITTEE**

Hardin County does not have an Audit Committee. An Audit Committee 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.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

Hardin County seldom receives findings for material weaknesses. If a material weakness is found, that weakness is corrected as quickly as possible. The county budget committee, the accounting director and I meet once each month to review budget matters as well as any audit issues. Financial reports are presented to our county commission on a quarterly basis, as well. However, management encourages the implementation of an audit committee.

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

There were no findings and questioned costs for federal awards.

**HARDIN 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.