



**ANNUAL FINANCIAL REPORT
HARDIN COUNTY, TENNESSEE**



FOR THE YEAR ENDED JUNE 30, 2012



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HARDIN COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2012

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

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

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Audit Highlights

Annual Financial Report
Hardin County, Tennessee
For the Year Ended June 30, 2012

Scope

We have audited the basic financial statements of Hardin County as of and for the year ended June 30, 2012.

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 Practice

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

HARDIN COUNTY HIGHWAY DEPARTMENT AND HARDIN COUNTY SCHOOL DEPARTMENT

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

OFFICE OF HIGHWAY COMMISSIONER

- ◆ Two employees received unauthorized compensation.
- ◆ Expenditures exceeded appropriations.

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ Expenditures exceeded appropriations.
- ◆ Employees improperly disposed of scrap metal.

OFFICE OF TRUSTEE

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

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

- ◆ Duties were not segregated adequately.
-

OFFICE OF ASSESSOR OF PROPERTY

- ◆ New owners of greenbelt properties were not required to file a new application for agricultural property.
-

HARDIN COUNTY

- ◆ Hardin County has a material recurring audit finding.
-

BEST PRACTICE

Hardin County does not have a central system of accounting, budgeting, and purchasing. The Division of Local Government Audit strongly believes that a central system of accounting, budgeting, and purchasing is a best practice 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.

INTRODUCTORY SECTION

Hardin County Officials June 30, 2012

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
Boyce Bain
James Berry, Jr.
Larry Byrd
Nickie Cagle
David Channell
David Childers
Adam Coleman
Gary Combs
Vicky Cotner
Mike Fowler

Jimmy Grisham
Wally Hamilton
Charles Holloway
Darren Howard
Roger Jenkins
Mike Jerrolds
Fred McFalls, Jr.
Jonas Morris
Thomas Smith
Emery White

Highway Commission

Kevin Davis, County Mayor, Secretary
Billy Grooms
Carter Horton

Jamie Lee Johnson
Steve Pickens

Board of Education

David Long, Chairman
Ron Ashe
James David Baker
David Burgess
Jeanelle Dennis

Justin Johnson
Janie Milender
Olga Turnbow
Gary Vickery
Ramona Wilkerson

FINANCIAL SECTION



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
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NASHVILLE, TENNESSEE 37243-1402
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INDEPENDENT AUDITOR'S REPORT

January 30, 2013

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, 2012, 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 36.9 percent and 52.8 percent, respectively, of the assets and revenues of the aggregate discretely presented component units), the discretely presented Hardin County Emergency Communications District (which represent 2.7 percent and 1.5 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, 2012, and the respective changes in financial position and, where applicable, cash flows 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 30, 2013, 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.

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 101 through 109 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,



Justin P. Wilson
Comptroller of the Treasury

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Hardin County, Tennessee
Statement of Net Assets
June 30, 2012

	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	
Cash	\$ 355	\$ 282,350	\$ 282,705	\$ 2,009,819	\$ 9,973,545	\$ 487,277	\$ 19,188	
Equity in Pooled Cash and Investments	8,168,968	0	8,168,968	4,047,604	0	0	0	
Inventories	0	5,202	5,202	0	1,324,299	0	0	
Accounts Receivable	168,621	681,195	849,816	1,522	7,048,557	16,315	109,111	
Due from Other Governments	1,700,020	0	1,700,020	1,134,406	0	50,033	0	
Due from Component Units	125,867	0	125,867	0	0	0	0	
Property Taxes Receivable	6,002,301	0	6,002,301	6,511,087	0	0	0	
Allowance for Uncollectible Property Taxes	(346,029)	0	(346,029)	(375,361)	0	0	0	
Prepaid Items	0	16,135	16,135	0	176,789	0	0	
Accrued Interest Receivable	17,530	0	17,530	0	0	0	0	
Other Current Assets	0	0	0	0	447,041	0	0	
Restricted Assets:								
Cash and Cash Equivalents	0	0	0	0	0	78,188	0	
Patient Trust	0	7,805	7,805	0	0	0	0	
Deferred Charges - Debt Issuance Costs	1,258,570	0	1,258,570	0	0	38,968	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	341,778	0	341,778	0	0	0	0	
Assets Net of Accumulated Depreciation:								
Buildings and Improvements	10,864,683	379,046	11,243,729	41,373,258	13,005,866	1,227,047	0	
Infrastructure	9,765,578	0	9,765,578	0	0	0	0	
Other Capital Assets	2,173,358	81,733	2,255,091	1,713,773	3,032,338	537,782	553	
Total Assets	\$ 42,155,169	\$ 1,480,166	\$ 43,635,335	\$ 57,565,708	\$ 35,282,968	\$ 2,562,760	\$ 128,852	

ASSETS

(Continued)

Exhibit A

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

	Primary Government		Component Units				
	Governmental Activities	Business- type Activities	Total	Hardin County		Hardin County	
				School Department	Medical Center	Emergency Communications District	Convention and Visitors Bureau
Accounts Payable	\$ 268,081	\$ 35,037	\$ 303,118	\$ 111,917	\$ 1,273,604	\$ 43,621	\$ 4,646
Accrued Management Fee	0	812,385	812,385	0	0	0	0
Other Accrued Expenses	0	140,177	140,177	0	2,063,439	34,437	0
Accrued Payroll	174,312	0	174,312	0	0	0	0
Payroll Deductions Payable	16,701	0	16,701	242,527	0	0	1,170
Contracts Payable	89,583	0	89,583	0	0	0	0
Due to Primary Government	0	0	0	125,867	0	0	0
Accrued Interest Payable	195,995	0	195,995	0	0	0	0
Other Current Liabilities	0	0	0	0	67,000	0	0
Current Liabilities Payable from Restricted Assets:							
Patient Trust	0	7,805	7,805	0	0	0	0
Deferred Revenue - Current Property Taxes	5,412,803	0	5,412,803	5,871,620	0	0	0
Other Deferred Revenue	0	0	0	0	70,101	0	0
Noncurrent Liabilities:							
Due Within One Year	1,956,339	0	1,956,339	276,152	689,514	30,000	0
Due in More Than One Year (net of deferred discount on debt and unamortized premium on debt)	48,013,678	0	48,013,678	5,837,005	8,655,402	1,220,000	0
Total Liabilities	\$ 56,127,492	\$ 995,404	\$ 57,122,896	\$ 12,465,088	\$ 12,819,060	\$ 1,328,058	\$ 5,816
Invested in Capital Assets, Net of Related Debt	\$ 12,344,085	\$ 0	\$ 12,344,085	\$ 42,454,312	\$ 6,967,831	\$ 641,979	\$ 0
Invested in Capital Assets	0	487,479	487,479	0	0	0	553
Restricted for:							
Public Safety	195,201	0	195,201	0	0	0	0
Public Health and Welfare	590,034	0	590,034	0	0	0	0
Other Operations	97,863	0	97,863	0	0	0	0
Highway/Public Works	481,816	0	481,816	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
Restricted for (Cont.):							
Education	\$ 0	\$ 0	0	\$ 61,770	\$ 0	\$ 0	0
Operation of Non-Instructional Services	0	0	0	382,928	0	0	0
Debt Service	2,246,326	0	2,246,326	0	0	78,188	0
Capital Projects	0	0	0	3,332,285	0	0	0
Other Purposes	62,159	0	62,159	0	0	0	0
Unrestricted	(29,989,807)	(2,717)	(29,992,524)	(1,130,675)	15,496,087	514,535	122,483
Total Net Assets (Deficit)	\$ (13,972,323)	\$ 484,762	\$ (13,487,561)	\$ 45,100,620	\$ 22,463,908	\$ 1,234,702	\$ 123,036

NET ASSETS (CONT.)

Restricted for (Cont.):

Education
Operation of Non-Instructional Services
Debt Service
Capital Projects
Other Purposes
Unrestricted

Total Net Assets (Deficit)

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, 2012

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets											
	Program Revenues					Component Units						
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Primary Government Business-type Activities	Total	Hardin County School Department	Hardin Medical Center	Emergency Communications District	Hardin County Convention and Visitors Bureau	
Primary Government:												
Governmental Activities:												
General Government	\$ 988,220	\$ 249,795	\$ 39,882	\$ 0	\$ (698,543)	\$ 0	\$ (698,543)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	949,241	727,452	16,165	0	(205,624)	0	(205,624)	0	0	0	0	0
Administration of Justice	748,322	616,177	18,595	0	(113,550)	0	(113,550)	0	0	0	0	0
Public Safety	5,352,867	792,921	20,709	653,107	(3,886,130)	0	(3,886,130)	0	0	0	0	0
Public Health and Welfare	1,999,528	343,899	50,490	0	(1,605,139)	0	(1,605,139)	0	0	0	0	0
Social, Cultural, and Recreational Services	583,878	56,400	25,437	6,728	(495,313)	0	(495,313)	0	0	0	0	0
Agriculture and Natural Resources	195,007	91,579	0	0	(103,428)	0	(103,428)	0	0	0	0	0
Other Operations	1,456,038	27,151	0	0	(1,428,887)	0	(1,428,887)	0	0	0	0	0
Highways/Public Works	4,964,845	0	1,870,767	1,232,295	(1,861,783)	0	(1,861,783)	0	0	0	0	0
Education	417,253	0	0	0	(417,253)	0	(417,253)	0	0	0	0	0
Interest on Long-term Debt	2,487,626	0	2,575,934	0	88,308	0	88,308	0	0	0	0	0
Other Debt Service	92,121	0	0	0	(92,121)	0	(92,121)	0	0	0	0	0
Total Governmental Activities	\$ 20,234,946	\$ 2,905,374	\$ 4,617,979	\$ 1,892,130	\$ (10,819,463)	\$ 0	\$ (10,819,463)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Business-type Activities:												
Park Rest Hardin County Health Center	\$ 2,646,260	\$ 2,723,773	\$ 0	\$ 0	\$ 77,513	\$ 77,513	\$ 77,513	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Business-type Activities	\$ 2,646,260	\$ 2,723,773	\$ 0	\$ 0	\$ 77,513	\$ 77,513	\$ 77,513	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Primary Government	\$ 22,881,206	\$ 5,629,147	\$ 4,617,979	\$ 1,892,130	\$ (10,819,463)	\$ 77,513	\$ (10,741,950)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Component Units:												
School Department	\$ 35,937,465	\$ 744,987	\$ 4,967,062	\$ 431,203	\$ 0	\$ 0	\$ (29,794,213)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Hardin Medical Center	36,717,822	35,145,900	2,121,755	0	0	0	0	5,49,833	0	0	0	0
Emergency Communications District	789,526	662,445	142,814	177,907	0	0	0	0	0	193,640	0	0
Hardin County Convention and Visitors Bureau	275,737	26,397	25,600	0	0	0	0	0	0	0	(223,740)	0
Total Component Units	\$ 73,720,550	\$ 36,579,729	\$ 7,257,231	\$ 609,110	\$ 0	\$ 0	\$ (29,794,213)	\$ 5,49,833	\$ 193,640	\$ 0	\$ (223,740)	\$ 0

(Continued)

Exhibit B

Hardin County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets																
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	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										
General Revenues:																					
Taxes:																					
Property Taxes Levied for General Purposes				\$ 5,329,033	\$ 0	\$ 5,329,033	\$ 6,061,642	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Property Taxes Levied for Debt Service				210,177	0	210,177	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Local Option Sales Taxes				971,378	0	971,378	3,830,153	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Hotel/Motel Tax				219,053	0	219,053	0	0	0	0	0	0	0	0	0	0	0	0	0	0	211,592
Wheel Tax				1,081,547	0	1,081,547	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Litigation Tax				153,286	0	153,286	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Business Tax				128,812	0	128,812	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Mineral Severance Tax				53,807	0	53,807	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Wholesale Beer Tax				383,476	0	383,476	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Local Taxes				704	0	704	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Grants and Contributions Not Restricted to Specific Programs				2,030,108	0	2,030,108	16,303,038	0	0	0	144,000	44,453	0	0	0	0	0	0	0	0	4,000
Unrestricted Investment Income				127,116	400	127,516	0	0	0	129,105	2,913	0	0	0	0	0	0	0	0	0	0
Miscellaneous				170,579	1,181	171,760	42,869	172,746	42,249	0	0	0	0	0	0	0	0	0	0	0	0
Total General Revenues				\$ 10,859,076	\$ 1,581	\$ 10,860,657	\$ 26,237,702	\$ 445,851	\$ 89,615	\$ 215,592	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Change in Net Assets				\$ 39,613	\$ 79,094	\$ 118,707	\$ (3,556,511)	\$ 995,684	\$ 283,255	\$ (8,148)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Net Assets (Deficit), July 1, 2011				(14,011,936)	(32,105)	(14,044,041)	48,919,400	21,468,224	951,447	131,184	0	0	0	0	0	0	0	0	0	0	0
Prior-period Adjustment				0	437,773	437,773	(262,269)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Assets (Deficit), June 30, 2012				\$ (13,972,323)	\$ 484,762	\$ (13,487,561)	\$ 45,100,620	\$ 22,463,908	\$ 1,234,702	\$ 123,036	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

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, 2012

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway /	General	Rural	Other	Governmental	
		Public Works	Debt Service	Debt Service			
\$	0	0	0	0	0	355	\$ 355
Cash	4,732,406	539,278	1,277,763	1,157,015		462,506	8,168,968
Equity in Pooled Cash and Investments	136,332	8,660	2,216	0		21,413	168,621
Accounts Receivable	999,121	348,012	0	76,805		276,082	1,700,020
Due from Other Governments	355	0	0	0		0	355
Due from Other Funds	0	0	0	125,867		0	125,867
Due from Component Units	5,094,737	680,673	226,891	0		0	6,002,301
Property Taxes Receivable	(293,709)	(39,240)	(13,080)	0		0	(346,029)
Allowance for Uncollectible Property Taxes	17,530	0	0	0		0	17,530
Accrued Interest Receivable							
Total Assets	\$ 10,686,772	\$ 1,537,383	\$ 1,493,790	\$ 1,359,687	\$ 760,356	\$ 15,837,988	

ASSETS

LIABILITIES AND FUND BALANCES

	Liabilities	Deferred Revenue - Current Property Taxes	Deferred Revenue - Delinquent Property Taxes	Other Deferred Revenues	Total Liabilities
Accounts Payable	\$ 267,730	0	0	0	\$ 268,081
Accrued Payroll	155,016	0	0	19,296	174,312
Payroll Deductions Payable	11,733	3,496	0	1,472	16,701
Contracts Payable	89,583	0	0	0	89,583
Due to Other Funds	0	0	0	355	355
Deferred Revenue - Current Property Taxes	4,594,372	613,823	204,608	0	5,412,803
Deferred Revenue - Delinquent Property Taxes	205,340	27,434	9,145	0	241,919
Other Deferred Revenues	174,072	166,928	0	41,624	483,106
Total Liabilities	\$ 5,497,846	\$ 811,681	\$ 213,753	\$ 41,624	\$ 6,686,860

(Continued)

Exhibit C-1

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

	Major Funds						Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works		General Debt Service		Rural Debt Service	Other Governmental Funds		
\$	1,408	\$	0	\$	0	\$	0	\$	1,408
	3,109	0	0	0	0	0	0	0	3,109
	40,485	0	0	0	0	0	0	0	40,485
	110,079	0	0	0	0	0	85,122	0	195,201
	590,034	0	0	0	0	0	0	0	590,034
	17,157	0	0	0	0	0	0	0	17,157
	97,863	0	0	0	0	0	0	0	97,863
	0	301,538	0	0	0	0	0	0	301,538
	0	0	0	1,066,544	0	1,318,063	0	0	2,384,607
	96,164	0	0	0	0	0	0	0	96,164
	656,339	0	0	0	0	0	0	0	656,339
	409,731	0	0	0	0	0	553,278	0	963,009
	0	424,164	0	0	0	0	0	0	424,164
	0	0	0	213,493	0	0	0	0	213,493
	19,891	0	0	0	0	0	0	0	19,891
	242	0	0	0	0	0	0	0	242
	10,111	0	0	0	0	0	0	0	10,111
	50	0	0	0	0	0	0	0	50
	69,865	0	0	0	0	0	0	0	69,865
	3,066,398	0	0	0	0	0	0	0	3,066,398
	\$ 5,188,926	\$ 725,702	\$ 1,280,037	\$ 1,318,063	\$ 638,400	\$ 9,151,128			
	\$ 10,686,772	\$ 1,537,383	\$ 1,493,790	\$ 1,359,687	\$ 760,356	\$ 15,837,988			

LIABILITIES AND FUND BALANCES (CONT.)

Fund Balances	
Restricted:	
Restricted for General Government	
Restricted for Finance	
Restricted for Administration of Justice	
Restricted for Public Safety	
Restricted for Public Health and Welfare	
Restricted for Social, Cultural, and Recreational Services	
Restricted for Other Operations	
Restricted for Highways/Public Works	
Restricted for Debt Service	
Committed:	
Committed for Administration of Justice	
Committed for Public Safety	
Committed for Public Health and Welfare	
Committed for Highways/Public Works	
Committed for Debt Service	
Assigned:	
Assigned for General Government	
Assigned for Finance	
Assigned for Administration of Justice	
Assigned for Public Safety	
Assigned for Other Operations	
Unassigned	
Total Fund Balances	
Total Liabilities and Fund Balances	

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, 2012

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)		\$	9,151,128
(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: construction in progress		341,778	
Add: buildings and improvements net of accumulated depreciation		10,864,683	
Add: infrastructure net of accumulated depreciation		9,765,578	
Add: other capital assets net of accumulated depreciation		<u>2,173,358</u>	25,058,966
(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	\$	(1,439,103)	
Less: capital leases payable		(777,782)	
Less: bonds payable		(47,060,000)	
Add: deferred charges - debt issuance costs		1,258,570	
Add: deferred charges - discount on debt issued		1,989	
Less: compensated absences payable		(143,798)	
Less: landfill postclosure care costs		(302,367)	
Less: other postemployment benefits liability		(166,800)	
Less: accrued interest on bonds, notes, and capital leases		(195,995)	
Less: other deferred revenue - premium on debt		<u>(82,156)</u>	(48,907,442)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>725,025</u>
Net assets (deficit) of governmental activities (Exhibit A)		\$	<u>(13,972,323)</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, 2012

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Rural Debt Service	Other	Governmental Funds	
Revenues							
Local Taxes	\$ 6,242,477	\$ 790,794	\$ 214,151	\$ 384,537	\$ 959,221	\$ 8,591,180	\$ 8,591,180
Licenses and Permits	99,715	0	0	0	0	99,715	99,715
Fines, Forfeitures, and Penalties	171,774	0	0	0	52,789	224,563	224,563
Charges for Current Services	111,688	0	0	0	306,840	418,528	418,528
Other Local Revenues	332,972	52,345	83,558	7,229	93,034	569,138	569,138
Fees Received from County Officials	1,276,767	0	0	0	0	1,276,767	1,276,767
State of Tennessee	2,357,435	1,971,557	19,680	0	95,296	4,443,968	4,443,968
Federal Government	660,935	1,181,779	0	659,598	0	2,502,312	2,502,312
Other Governments and Citizens Groups	179,059	0	379,881	1,764,572	4,787	2,328,299	2,328,299
Total Revenues	\$ 11,432,822	\$ 3,996,475	\$ 697,270	\$ 2,815,936	\$ 1,511,967	\$ 20,454,470	\$ 20,454,470
Expenditures							
Current:							
General Government	\$ 1,533,813	0	0	0	0	1,533,813	1,533,813
Finance	717,790	0	0	0	0	717,790	717,790
Administration of Justice	536,359	0	0	0	14,688	551,047	551,047
Public Safety	4,345,815	0	0	0	31,886	4,377,701	4,377,701
Public Health and Welfare	513,800	0	0	0	1,348,220	1,862,020	1,862,020
Social, Cultural, and Recreational Services	311,165	0	0	0	0	311,165	311,165
Agriculture and Natural Resources	140,169	0	0	0	0	140,169	140,169
Other Operations	2,944,097	0	0	0	170,499	3,114,596	3,114,596
Highways	0	3,524,399	0	0	0	3,524,399	3,524,399
Debt Service:							
Principal on Debt	214,605	0	2,086,930	785,000	0	3,086,535	3,086,535
Interest on Debt	41,400	0	562,277	1,884,568	0	2,488,245	2,488,245
Other Debt Service	0	0	37,423	7,259	0	44,682	44,682
Capital Projects	0	0	0	0	2,199,572	2,199,572	2,199,572
Total Expenditures	\$ 11,299,013	\$ 3,524,399	\$ 2,686,630	\$ 2,676,827	\$ 3,764,865	\$ 23,951,734	\$ 23,951,734
Excess (Deficiency) of Revenues Over Expenditures	\$ 133,809	\$ 472,076	\$ (1,989,360)	\$ 139,109	\$ (2,252,898)	\$ (3,497,264)	\$ (3,497,264)

(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 /	General	Rural	Other Governmental Funds	Governmental Funds	
		Public Works	Debt Service	Debt Service			
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 1,074,000	\$ 0	\$ 0	\$ 0	\$ 417,253	\$ 1,491,253	
Capital Leases Issued	130,999	0	0	0	1,782,319	1,913,318	
Insurance Recovery	32,753	0	0	0	120,586	153,339	
Transfers In	0	0	846,364	0	0	846,364	
Transfers Out	(622,338)	(224,026)	0	0	0	(846,364)	
Total Other Financing Sources (Uses)	\$ 615,414	\$ (224,026)	\$ 846,364	\$ 0	\$ 2,320,158	\$ 3,557,910	
Net Change in Fund Balances	\$ 749,223	\$ 248,050	\$ (1,142,996)	\$ 139,109	\$ 67,260	\$ 60,646	
Fund Balance, July 1, 2011	4,439,703	477,652	2,423,033	1,178,954	571,140	9,080,482	
Fund Balance, June 30, 2012	\$ 5,188,926	\$ 725,702	\$ 1,280,037	\$ 1,318,063	\$ 638,400	\$ 9,151,128	

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, 2012

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)		\$ 60,646
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 1,535,244	
Less: current-year depreciation expense	<u>(2,759,473)</u>	(1,224,229)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Less: proceeds received from the sale of capital assets		(47,685)
(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, 2012	\$ 725,025	
Less: deferred delinquent property taxes and other deferred June 30, 2011	<u>(629,134)</u>	95,891
(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.		
Less: note proceeds	\$ (1,491,253)	
Less: capital lease proceeds	(130,999)	
Add: change in premium on debt issuance	3,883	
Less: change in deferred debt issuance costs	(47,360)	
Less: change in discount on debt issuance	(79)	
Add: principal payments on notes	1,514,930	
Add: principal payments on capital leases	214,605	
Add: principal payments on bonds	<u>1,125,000</u>	1,188,727
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ 619	
Change in compensated absences payable	5,141	
Change in landfill postclosure care costs	(2,299)	
Change in other postemployment benefits liability	<u>(37,198)</u>	<u>(33,737)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 39,613</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, 2012

	Major Fund
	Business-type Activities - Enterprise Fund
	Park Rest Hardin County Health Center
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 282,350
Inventories	5,202
Accounts Receivable	681,195
Prepaid Items	16,135
Restricted Assets:	
Patient Trust	7,805
Total Current Assets	<u>\$ 992,687</u>
Noncurrent Assets:	
Capital Assets:	
Assets not Depreciated:	
Land	\$ 26,700
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	379,046
Other Capital Assets	81,733
Total Noncurrent Assets	<u>\$ 487,479</u>
Total Assets	<u>\$ 1,480,166</u>
<u>LIABILITIES</u>	
Liabilities:	
Accounts Payable	\$ 35,037
Accrued Management Fee	812,385
Other Accrued Expenses	140,177
Current Liabilities Payable from Restricted Assets:	
Patient Trust	7,805
Total Liabilities	<u>\$ 995,404</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	\$ 487,479
Unrestricted	<u>(2,717)</u>
Net Assets	<u>\$ 484,762</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, 2012

	Major Fund
	<u>Business-type Activities - Enterprise Fund</u>
	<u>Park Rest Hardin County Health Center</u>
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
Patient Revenues	\$ 2,723,773
Total Operating Revenues	<u>\$ 2,723,773</u>
<u>Operating Expenses</u>	
Administrative	\$ 961,159
Dietary	280,499
Housekeeping	113,462
Laundry	92,417
Operation and Maintenance	173,656
Nursing	918,128
Social Service	54,437
Depreciation	52,502
Total Operating Expenses	<u>\$ 2,646,260</u>
Operating Income	<u>\$ 77,513</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 400
Other (net)	1,181
Total Nonoperating Revenues (Expenses)	<u>\$ 1,581</u>
Net Income	<u>\$ 79,094</u>
Change in Net Assets	\$ 79,094
Net Assets (Deficit), July 1, 2011	(32,105)
Prior-period Adjustment	<u>437,773</u>
Net Assets, June 30, 2012	<u><u>\$ 484,762</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, 2012

	<u>Major</u> <u>Fund</u> <u>Business-type</u> <u>Activities -</u> <u>Enterprise</u> <u>Fund</u> <u>Park Rest</u> <u>Hardin County</u> <u>Health Center</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from Patient Services	\$ 2,707,923
Payments to Suppliers	(972,831)
Payments to Employees	(1,704,921)
Other Operating Cash Receipts	1,181
Net Cash Provided By (Used In) Operating Activities	<u>\$ 31,352</u>
<u>Cash Flows from Investing Activities</u>	
Interest Income	\$ 400
Net Cash Provided By (Used In) Investing Activities	<u>\$ 400</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Purchase of Equipment	\$ (18,360)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (18,360)</u>
Net Increase (Decrease) in Cash	\$ 13,392
Cash, July 1, 2011	<u>268,958</u>
Cash, June 30, 2012	<u><u>\$ 282,350</u></u>

(Continued)

Exhibit D-3

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

	Major Fund
	<u>Business-type Activities - Enterprise Fund</u>
	<u>Park Rest Hardin County Health Center</u>
<u>Reconciliation of Net Operating Income to Net Cash Provided By (Used In) Operating Activities</u>	
Operating Income	\$ 77,513
Adjustments to Reconcile Net Operating Income to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	52,502
Changes in Assets and Liabilities:	
Accounts Receivable	(15,850)
Prepaid Insurance	6,374
Accounts Payable	6,658
Accrued Management Fee	(77,375)
Accrued Expenses	(19,651)
Other Revenue	1,181
	<u>31,352</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 31,352</u>
<u>Reconciliation of Cash With the Statement of Net Assets</u>	
Cash Per Net Assets	<u>\$ 282,350</u>
Cash, June 30, 2012	<u>\$ 282,350</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, 2012

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,773,193
Due from Other Governments	<u>497,949</u>
Total Assets	<u><u>\$ 2,271,142</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 497,949
Due to Litigants, Heirs, and Others	<u>1,773,193</u>
Total Liabilities	<u><u>\$ 2,271,142</u></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, 2012

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 are the HMC Health and Rehabilitation Center, a 73-bed intermediate and skilled care facility, and the HMC Physician Services, Inc., a physician practice, which provides medical and other health care services. 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 \$2,199,572 were contributed by the county to the School Department during the year ended June 30, 2012.

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.

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 types:

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

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.

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 3.09 percent of total taxes levied.

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

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

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the

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

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

3. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental 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.

It is the School Department's policy to permit professional employees to accumulate earned but unused sick leave up to an unlimited amount of days and support staff to accumulate earned but unused sick leave up to 120 days. Upon leaving employment, professional employees and support staff receive \$10 per day for unused sick days. The policy permits 12-month support staff to accumulate earned but unused annual and sick leave up to an unlimited amount of days. Upon leaving employment, 12-month support staff is compensated at their daily rate of pay for unused annual and sick leave. All annual and sick leave benefits for the School Department are accrued when incurred in the government-wide statements. A liability for annual and 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 \$3,673,399 of restricted net assets, of which \$97,863 is restricted by enabling legislation.

As of June 30, 2012, Hardin County had \$35,968,253 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.

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.

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, and shall remain binding unless removed in the same manner.

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 Commission has authorized the county’s Budget Committee to make assignments for the general government. The Board of Education makes assignments for the School Department.

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 Adjustment

Compensated absences payable of the discretely presented Hardin County School Department were restated \$262,269 from the prior year. School personnel determined that an outdated personnel policy had previously been used to accrue employee leave balances; therefore, the balances were restated and increased as of the beginning of the year to comply with the current policy.

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.

B. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the Other Debt Service – Education major appropriations category (the legal level of control) of the discretely presented General Purpose School Fund by \$16,277. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balance.

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, 2012.

B. Capital Assets

Capital assets activity for the year ended June 30, 2012, was as follows:

Primary Government

Governmental Activities:

	Balance		Balance	
	7-1-11	Increases	Decreases	6-30-12
Capital Assets Not Depreciated:				
Land	\$ 1,913,569	\$ 0	\$ 0	\$ 1,913,569
Construction in Progress	0	382,278	40,500	341,778
Total Capital Assets Not Depreciated	<u>\$ 1,913,569</u>	<u>\$ 382,278</u>	<u>\$ 40,500</u>	<u>\$ 2,255,347</u>

Governmental Activities (Cont.):

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital Assets				
Depreciated:				
Buildings and				
Improvements	\$ 15,167,757	\$ 119,500	\$ 0	\$ 15,287,257
Infrastructure	39,119,786	0	0	39,119,786
Other Capital				
Assets	7,955,643	1,073,966	231,037	8,798,572
Total Capital Assets				
Depreciated	\$ 62,243,186	\$ 1,193,466	\$ 231,037	\$ 63,205,615
Less Accumulated				
Depreciation For:				
Buildings and				
Improvements	\$ 3,923,903	\$ 498,671	\$ 0	\$ 4,422,574
Infrastructure	27,746,594	1,607,614	0	29,354,208
Other Capital				
Assets	6,155,378	653,188	183,352	6,625,214
Total Accumulated				
Depreciation	\$ 37,825,875	\$ 2,759,473	\$ 183,352	\$ 40,401,996
Total Capital Assets				
Depreciated, Net	\$ 24,417,311	\$ (1,566,007)	\$ 47,685	\$ 22,803,619
Governmental Activities				
Capital Assets, Net	\$ 26,330,880	\$ (1,183,729)	\$ 88,185	\$ 25,058,966

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

Governmental Activities:

General Government	\$ 11,258
Finance	14,514
Administration of Justice	11,790
Public Safety	732,603
Public Health and Welfare	159,532
Social, Cultural, and Recreational Services	97,029
Agriculture and Natural Resources	26,400
Other Operations	13,603
Highways/Public Works	1,692,744
Total Depreciation Expense - Governmental Activities	<u>\$ 2,759,473</u>

Discretely Presented Hardin County School Department

Governmental Activities:

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital Assets Not Depreciated:				
Land	\$ 1,149,600	\$ 0	\$ 0	\$ 1,149,600
Total Capital Assets Not Depreciated	<u>\$ 1,149,600</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,149,600</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 64,019,821	\$ 224,590	\$ 34,641	\$ 64,209,770
Other Capital Assets	4,440,638	529,576	295,300	4,674,914
Total Capital Assets Depreciated	<u>\$ 68,460,459</u>	<u>\$ 754,166</u>	<u>\$ 329,941</u>	<u>\$ 68,884,684</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 20,646,329	\$ 2,204,732	\$ 14,549	\$ 22,836,512
Other Capital Assets	2,966,039	290,402	295,300	2,961,141
Total Accumulated Depreciation	<u>\$ 23,612,368</u>	<u>\$ 2,495,134</u>	<u>\$ 309,849</u>	<u>\$ 25,797,653</u>
Total Capital Assets Depreciated, Net	<u>\$ 44,848,091</u>	<u>\$ (1,740,968)</u>	<u>\$ 20,092</u>	<u>\$ 43,087,031</u>
Governmental Activities Capital Assets, Net	<u>\$ 45,997,691</u>	<u>\$ (1,740,968)</u>	<u>\$ 20,092</u>	<u>\$ 44,236,631</u>

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

Governmental Activities:

Instruction	\$ 1,456,960
Support Services	709,235
Operation of Non-Instructional Services	<u>328,939</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,495,134</u>

C. Construction Commitments

At June 30, 2012, the discretely presented Hardin County School Department's Education Capital Projects Fund had uncompleted construction

contracts of \$2,309,831 for the construction of two new schools, renovations to existing schools, and various energy improvements. Funding for these future expenditures has been provided through the issuance of debt.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2012, was as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 355
Discretely Presented School Department:		
General Purpose School	Nonmajor governmental	68,313
Employee Insurance	General Purpose School	2,477

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:

Receivable Fund	Payable Fund	Amount
Primary Government:		
Rural Debt Service	Component Unit: Hardin County School Department: General Purpose School	\$ 125,867

Interfund Transfers:

Interfund transfers for the year ended June 30, 2012, consisted of the following amounts:

Transfers Out	Transfers In
	General Debt Service
General Fund	\$ 622,338
Highway/Public Works Fund	224,026
Total	<u>\$ 846,364</u>

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

E. Capital Leases

Primary Government

Terms of capital lease obligations outstanding at June 30, 2012, 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
Fire Truck	6-28-10	10	224,189	5.1
Sheriff Vehicles	11-18-11	2	96,470	6.0
Sheriff Vehicle	12-7-11	2	34,529	6.49

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	\$ 1,707,858
Less: Accumulated Depreciation	<u>(1,439,079)</u>
Total Book Value	<u>\$ 268,779</u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2012, were as follows:

Year Ending June 30	Governmental Funds
2013	\$ 248,101
2014	193,370
2015	147,083
2016	115,532
2017	92,997
2018-2020	91,996
Total Minimum Lease Payments	\$ 889,079
Less: Amount Representing Interest	<u>(111,297)</u>
Present Value of Minimum Lease Payments	<u>\$ 777,782</u>

Discretely Presented Hardin County School Department

On June 20, 2012, Hardin County entered into a 14-year lease-purchase agreement for energy efficiency upgrades and equipment for school facilities. The terms of the agreement require lease payments of \$1,782,319 plus interest of 3.05 percent. Title to the upgrades and equipment will transfer to the School Department at the end of the lease period. The lease payments will be made from the General Purpose School Fund.

As of June 30, 2012, the project was in the beginning stages and no assets had been acquired as a result of this capital lease.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2012, were as follows:

Year Ending June 30	Governmental Funds
2013	\$ 79,437
2014	158,873
2015	158,874
2016	158,873
2017	158,874
2018-2022	794,368
2023-2027	714,931
Total Minimum Lease Payments	\$ 2,224,230
Less: Amount Representing Interest	<u>(441,911)</u>
Present Value of Minimum Lease Payments	<u>\$ 1,782,319</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. 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, 2012, 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, 2012, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-12
General Obligation Bonds	2.84 to 4.125 %	6-1-44	\$ 49,600,000	\$ 47,060,000
Capital Outlay Notes	0 to 3.5	9-30-18	2,288,403	1,439,103
Capital Leases	4.75 to 6.49	2-15-20	1,707,858	777,782

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2012, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2013	\$ 1,165,000	\$ 2,348,185	\$ 3,513,185
2014	1,195,000	2,315,789	3,510,789
2015	1,230,000	2,278,610	3,508,610
2016	1,270,000	2,235,129	3,505,129
2017	1,310,000	2,188,177	3,498,177
2018-2022	7,265,000	10,089,760	17,354,760
2023-2027	8,255,000	8,333,304	16,588,304
2028-2032	6,805,000	6,494,906	13,299,906
2033-2037	8,375,000	4,529,867	12,904,867
2038-2042	6,965,000	2,308,438	9,273,438
2043-2044	3,225,000	299,125	3,524,125
Total	\$ 47,060,000	\$ 43,421,290	\$ 90,481,290

Year Ending June 30	Notes		
	Principal	Interest	Total
2013	\$ 449,258	\$ 37,461	\$ 486,719
2014	406,758	24,071	430,829
2015	259,758	11,719	271,477
2016	140,558	5,572	146,130
2017	63,558	3,204	66,762
2018-2019	119,213	2,564	121,777
Total	\$ 1,439,103	\$ 84,591	\$ 1,523,694

There is \$2,598,100 available in the debt service funds to service long-term debt. Bonded debt per capita totaled \$1,808, based on the 2010 federal census. Debt per capita, including bonds, notes, and capital leases totaled \$1,893, based on the 2010 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

Governmental Activities:

	Capital Leases		
	Bonds	Notes	Capital Leases
Balance, July 1, 2011	\$ 48,185,000	\$ 1,462,780	\$ 861,388
Additions	0	1,491,253	130,999
Reductions	(1,125,000)	(1,514,930)	(214,605)
Balance, June 30, 2012	\$ 47,060,000	\$ 1,439,103	\$ 777,782
Balance Due Within One Year	\$ 1,165,000	\$ 449,258	\$ 209,790

	Other Postemployment Benefits		
	Compensated Absences	Landfill Postclosure Care Costs	Other Postemployment Benefits
Balance, July 1, 2011	\$ 148,939	\$ 300,068	\$ 129,602
Additions	155,491	7,087	44,681
Reductions	(160,632)	(4,788)	(7,483)
Balance, June 30, 2012	\$ 143,798	\$ 302,367	\$ 166,800
Balance Due Within One Year	\$ 127,503	\$ 4,788	\$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2012	\$ 49,889,850
Less: Balance Due Within One Year	(1,956,339)
Add: Unamortized Premium on Debt	82,156
Less: Deferred Discount on Debt	<u>(1,989)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u><u>\$ 48,013,678</u></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

The capital lease outstanding as of June 30, 2012, for governmental activities is as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-12</u>
Capital Lease	3.05 %	11-20-26	\$ 1,782,319	\$ 1,782,319

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Hardin County School Department for the year ended June 30, 2012, was as follows:

	<u>Capital Leases</u>	<u>Compensated Absences</u>
Balance, July 1, 2011, Restated *	\$ 25,245	\$ 695,180 *
Additions	1,782,319	129,280
Reductions	<u>(25,245)</u>	<u>(246,057)</u>
Balance, June 30, 2012	<u><u>\$ 1,782,319</u></u>	<u><u>\$ 578,403</u></u>
Balance Due Within One Year	<u><u>\$ 29,633</u></u>	<u><u>\$ 246,519</u></u>

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

Governmental Activities (Cont.):

	Other Postemployment Benefits
Balance, July 1, 2011	\$ 3,118,818
Additions	953,649
Reductions	<u>(320,032)</u>
Balance, June 30, 2012	<u>\$ 3,752,435</u>
Balance Due Within One Year	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2012	\$ 6,113,157
Less: Balance Due Within One Year	<u>(276,152)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 5,837,005</u>

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

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Hardin County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2012, were \$121,683 and \$32,289, 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 Tort Liability Act to provide governmental insurance coverage. The School Department pays an annual premium to the TN-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

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

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Estimates</u>	<u>Payments</u>	<u>Balance at Fiscal Year-end</u>
2010-11	\$ 7,919	\$ 238,859	\$ 236,185	\$ 10,593
2011-12	10,593	228,857	229,152	10,298

B. 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, 2012, \$1,822,000 has been repaid leaving a balance of \$6,178,000. Future principal requirements for the entire loan at June 30, 2012, were \$6,178,000. The loan is repayable at a variable interest rate that is determined by the remarketing agent weekly. At June 30, 2012, the variable interest rate was .35 percent.

The county and School Department are involved in several pending lawsuits. The county and school attorneys estimate that the potential claims not covered by insurance resulting from such litigation would not materially affect the financial statements.

C. 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 \$302,367 reported as postclosure care liability at June 30, 2012, represents the county's 50 percent

share of the amounts based on what it would cost to perform all postclosure care in 2012. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

D. 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

E. 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 to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2012, was 10.02 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, 2012, the county's annual pension cost of \$743,375 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 three percent annual rate of inflation, (c) 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), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) 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, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-12	\$743,375	100%	\$0
6-30-11	653,202	100	0
6-30-10	740,026	100	0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 91.42 percent funded. The actuarial accrued liability for benefits was \$20.28 million, and the actuarial value of assets was \$18.54 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.74 million. The covered payroll (annual payroll of active employees covered by the plan) was \$7.45 million, and the ratio of the UAAL to the covered payroll was 23.35 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.

SCHOOL TEACHERS

Plan Description

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

the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the 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, 2012, 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, 2012, 2011, and 2010, were \$1,317,805, \$1,323,942, and \$924,414, respectively, equal to the required contributions for each year.

F. 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 local governments and Section 8-27-302, *TCA*, for local education employees. Prior to reaching the age of 65, all members 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, 2012, Hardin County and the discretely presented School Department contributed \$7,483 and \$320,032, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 956,000	\$ 45,000
Interest on the NPO	38,240	5,184
Adjustment to the ARC	(40,591)	(5,503)
Annual OPEB cost	\$ 953,649	\$ 44,681
Less: Amount of contribution	(320,032)	(7,483)
Increase/decrease in NPO	\$ 633,617	\$ 37,198
Net OPEB obligation, 7-1-11	3,118,818	129,602
Net OPEB obligation, 6-30-12	<u>\$ 3,752,435</u>	<u>\$ 166,800</u>

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-10	Local Education Group	\$ 1,132,685	27%	\$ 2,296,839
6-30-11	"	1,141,706	28	3,118,818
6-30-12	"	953,649	34	3,752,435
6-30-10	Local Government Group	66,749	28	80,814
6-30-11	"	68,192	28	129,602
6-30-12	"	44,681	17	166,800

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011, was as follows:

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-11	7-1-11
Actuarial accrued liability (AAL)	\$ 7,902,000	\$ 286,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 7,902,000	\$ 286,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 16,509,927	\$ 4,822,687
UAAL as a % of covered payroll	48%	6%

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, 2011, actuarial valuation for the Local Education Group and the Local Government Group plans, the projected unit credit actuarial cost method was used, and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25 percent for fiscal year 2012. The trend rate will decrease to 8.75 percent in fiscal year 2013 and then be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. Both rates include a 2.5 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.

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

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

A. General Information

1. General

The Park Rest Hardin County Health Center (Park Rest) is a 62-bed intermediate care facility owned by Hardin County, Tennessee. Park Rest is located in Savannah, Tennessee, and began operations in 1986. Park Rest provides health care and services primarily to individuals in the Hardin County, Tennessee, area who do not require the degree of care and treatment 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 non-operating 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. The charges for the laundry services approximated Hardin Home's recorded costs of providing the services. The total laundry charges for the year were \$92,417.

Park Rest provided meals to Hardin Home. The charges for the meals approximated Park Rest's recorded costs of providing the meals. The dietary charges for the year totaled \$183,866.

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

In prior years, the county contracted with Jo Park to manage Park Rest. In 2007 and years subsequent, the county has contracted with J. Park & Sons, Inc. (owned by Jo Park) to manage Park Rest. The management fee is seven percent of the gross revenues received by the facility from all sources and equaled \$189,074 in 2012. According to corporate records, the accrued management fee recorded at year-end is due solely to Jo Park for services performed prior to 2007.

Park Rest is responsible to pay the county a monthly administrative fee equal to one percent of gross revenues. For 2012, that fee totaled \$27,152.

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, 2012, 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 98 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, 2012, approximately 84 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, 2012, was as follows:

	Balance 7-1-11	Increases	Balance 6-30-12
Capital Assets Not Depreciated:			
Land	\$ 26,700	\$ 0	\$ 26,700
Capital Assets Depreciated:			
Building and Improvements	\$ 1,148,001	\$ 0	\$ 1,148,001
Furniture and Fixtures	85,517	0	85,517
Equipment	323,409	18,360	341,769
Total Capital Assets Depreciated	\$ 1,556,927	\$ 18,360	\$ 1,575,287
Less Accumulated Depreciation For:			
Building and Improvements	\$ (740,257)	\$ (28,698)	\$ (768,955)
Furniture and Fixtures	(53,597)	(3,630)	(57,227)
Equipment	(268,152)	(20,174)	(288,326)
Total Accumulated Depreciation	\$ (1,062,006)	\$ (52,502)	\$ (1,114,508)
Total Capital Assets Depreciated, Net	\$ 494,921	\$ (52,502)	\$ 460,779
Total Capital Assets, Net	\$ 521,621	\$ (34,142)	\$ 487,479

Fully depreciated assets at June 30, 2012, totaled \$369,665.

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. Prior-period Adjustment

For several years, Hardin Home (an independent nursing home facility owned by the manager of Park Rest) has provided Park Rest with laundry services. Hardin Home based the laundry charges on actual costs until 2003. From 2003-2011, Hardin Home charged Park Rest rates in excess of cost. Since Hardin Home has never had a written contract with Hardin County regarding these related party transactions, a prior-period adjustment of \$428,444 has been made in the current year to adjust these services to cost.

Additionally, Park Rest prepared meals for residents of Hardin Home. The charges for the meals approximated Park Rest's costs of providing the meals until 2006. Park Rest has charged Hardin Home \$156,000 annually from 2006-2011 for dietary services provided. Since Hardin Home has never had a written contract with Hardin County regarding these related party transactions, a prior-period adjustment of \$9,329 has been made in the current year to adjust these services to cost.

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 are the HMC Health and Rehabilitation Center (HMCHRC), which is an intermediate and skilled care facility, and the HMC Physician Services, Inc., which is a physician practice which provides medical and other health care services.

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, which is an economic resources measurement focus approach to accounting. 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 the 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 investments are insured or collateralized by securities held by the financial institutions' trust department in the medical center's name.

At June 30, 2012, the total carrying value of the medical center's cash, cash equivalents, and investments was \$9,973,545, and the bank balance was \$9,981,141. 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 \$3,671,146 as of June 30, 2012, 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, 2012.

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. 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, 2012, physician guarantees totaled \$320,019 and are included in other assets within the Statement of Net Assets.

8. 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 \$61 million for the year ended June 30, 2012. Approximately 29 percent of net patient service revenue was from Medicare for the year ended June 30, 2012. Approximately 14 percent of net patient service revenue was from Medicaid/TennCare for the year ended June 30, 2012.

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. The costs of providing charity care are estimated based on the ratio of total costs to gross charges and amounted to approximately \$1 million for the year ended June 30, 2012.

9. Operating Activities

The medical center defines operating activities as reported in the Consolidated Statements of Revenue, Expenses, and Changes in Net Assets as those that generally result from exchange transactions, such as payments for providing services and payments for goods and services received. Non-exchange transactions, including contributions and grants, as well as interest income and interest expense, are considered non-operating revenues and expenses.

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 its 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 table below. 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 upon their three month anniversary date and accrue 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. K.

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, 2012, 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. Adoption of 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 were effective for financial statements for fiscal years beginning after December 15, 2010. Therefore, the medical center adopted 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 were effective for financial statements for fiscal years beginning after December 15, 2010. Therefore, the medical center adopted these standards at the beginning of fiscal year 2012.

17. New Accounting Pronouncements

In November 2010, accounting standards relating to the inclusion of component units in the financial reporting entity were amended to require inclusion if a financial benefit or burden is present or if the financial statements would be misleading if excluded. This also amended the criteria for reporting component units as if they are part of the primary government. These amendments are effective for financial statements for fiscal years beginning after June 15, 2012. Therefore, the medical center expects to adopt these standards at the beginning of fiscal year 2013.

In December 2010, accounting standards relating to the application of FASB Statements that do not contradict GASB pronouncements were amended to incorporate into the GASB authoritative literature certain accounting and financial reporting guidance and to bring all authoritative literature together in one place. These amendments are effective for financial statements for fiscal years beginning after

December 15, 2011. Therefore, the medical center expects to adopt these standards at the beginning of fiscal year 2013.

In March 2012, accounting standards relating to accounting for operating lease payments that vary from a straight-line basis were amended to clarify how to apply GASB Statement No. 13. These amendments are effective for financial statements for fiscal years beginning after December 15, 2012. Therefore, the medical center expects to adopt these standards at the beginning of fiscal year 2014.

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

18. Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

19. Events Occurring after Reporting Date

The medical center has evaluated events and transactions that occurred between June 30, 2012, and November 5, 2012, which is the date the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated 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 to patient service revenue of approximately \$20,000 for the year ended June 30, 2012.

1. Medicare

The medical center is paid 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 is paid 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 (MCO's), 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 (DRG) 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, 2012, the medical center had net receivables from the federal government (Medicare) of approximately \$2,190,000, and from Medicaid/TennCare of approximately \$440,000.

6. Meaningful Use Payments from Medicare and Medicaid

The American Recovery and Reinvestment Act of 2009 (ARRA) established incentive payments under the Medicare and Medicaid programs for hospitals that implemented “meaningful use” certified electronic health record (EHR) technology. In order to receive incentive payments, a hospital, which is able to meet the meaningful use criteria must attest that during the EHR reporting period, the hospital used certified EHR technology and must specify the technology used satisfied the required meaningful use objectives and associated measures for the applicable stage, and must specify the EHR reporting period and provide the result of each applicable measure for all patients admitted to the inpatient or emergency department of the hospital during the EHR reporting period for which a selected measure is applicable. A hospital may receive an incentive payment for up to four years, provided it successfully demonstrates meaningful use of certified EHR technology for the EHR reporting period. Hospitals that adopt a certified EHR system and are meaningful users can begin receiving incentive payments in any federal fiscal year from 2011 (October 1, 2010 – September 30, 2011) to 2015; however, the incentive payments will decrease for hospitals that first start receiving payments in federal fiscal year 2014 or 2015.

The medical center met meaningful use criteria during 2012. As a result, the medical center recognized income of \$351,190 and \$1,179,801 from Medicaid and Medicare, respectively, in 2012. The medical center has a receivable of \$1,530,991 from Medicare and Medicaid related to the meaningful use incentive as of June 30, 2012. The Medicare and Medicaid funds were received during August 2012. The income is reported as other revenue on the accompanying Statements of Revenue, Expenses, and Changes in Net Assets.

D. Inventories

A summary of inventories as of June 30, 2012, is as follows:

Pharmacy	\$ 409,967
Dietary	14,350
Departmental	<u>899,982</u>
	<u>\$ 1,324,299</u>

E. Property and Equipment

The major classifications and changes in property and equipment as of and for the year ended June 30, 2012, are as follows:

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital Assets Not Depreciated:				
Land	\$ 274,533	\$ 0	\$ 0	\$ 274,533
Construction in Progress	1,945,214	462,113	2,407,327	0
Total Capital Assets Not Depreciated	\$ 2,219,747	\$ 462,113	\$ 2,407,327	\$ 274,533
Capital Assets Depreciated:				
Land Improvements	\$ 317,090	\$ 0	\$ 114,943	\$ 202,147
Buildings	16,615,567	2,555,765	785,123	18,386,209
Equipment	13,863,539	933,217	5,794,994	9,001,762
Furniture and Fixtures	309,770	27,513	60,164	277,119
Assets Under Capital Lease	2,853,852	0	1,483,010	1,370,842
Total Capital Assets Depreciated	\$ 33,959,818	\$ 3,516,495	\$ 8,238,234	\$ 29,238,079
Less Accumulated Depreciation For:				
Land Improvements	\$ 297,761	\$ 11,316	\$ 114,038	\$ 195,039
Buildings	5,517,659	644,752	782,068	5,380,343
Equipment	11,265,078	748,786	5,785,671	6,228,193
Furniture and Fixtures	206,153	18,086	59,952	164,287
Assets Under Capital Lease	2,480,839	234,184	1,483,010	1,232,013
Total Accumulated Depreciation	\$ 19,767,490	\$ 1,657,124	\$ 8,224,739	\$ 13,199,875
Total Capital Assets Depreciated, Net	\$ 14,192,328	\$ 1,859,371	\$ 13,495	\$ 16,038,204
Total Capital Assets, Net	\$ 16,412,075	\$ 2,321,484	\$ 2,420,822	\$ 16,312,737

Interest costs of approximately \$45,000 were capitalized during the year ended June 30, 2012.

F. 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, 2012. This amount is not reflected within property and equipment in the accompanying

consolidated 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, 2012, the annual subsidy was \$100,249. This annual allocation is in addition to the cumulative expenditures mentioned above.

G. Long-term Debt

The major types and changes in the medical center’s long-term debt as of and for the year ended June 30, 2012, is as follows:

	Balance 7-1-11	Decreases	Balance 6-30-12	Due Within One Year
Tennessee Valley - Electric Cooperative Series 2007	\$ 167,500	\$ 30,000	\$ 137,500	\$ 30,000
Tennessee Valley - Electric Cooperative Series 2010	740,000	61,668	678,332	82,224
Public Building Authority of the County of Montgomery - Series 2003	6,410,000	232,000	6,178,000	238,000
Other	10,770	10,770	0	0
Total	\$ 7,328,270	\$ 334,438	\$ 6,993,832	\$ 350,224

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 2020. 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, 2012), 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, 2012, is as follows:

Year Ending June 30	Principal	Estimated Interest	Total Payments
2013	\$ 350,224	\$ 22,000	\$ 372,224
2014	358,000	21,000	379,000
2015	367,000	20,000	387,000
2016	375,000	19,000	394,000
2017	372,000	18,000	390,000
2018-2022	1,770,000	76,000	1,846,000
2023-2027	1,771,000	48,000	1,819,000
2028-2031	1,630,608	14,000	1,644,608
Total	<u>\$ 6,993,832</u>	<u>\$ 238,000</u>	<u>\$ 7,231,832</u>

H. 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	\$ 2,732,792
Less: portion representing interest	<u>(381,708)</u>
Capital lease obligations	\$ 2,351,084
Less: current portion	<u>(339,290)</u>
Long-term portion	<u>\$ 2,011,794</u>

Approximate future minimum annual lease payments payable under the capital lease agreements as of June 30, 2012, are as follows:

Year Ending
June 30

2013	\$	395,000
2014		188,000
2015		188,000
2016		188,000
2017		188,000
2018 and later		<u>1,585,792</u>
Total minimum lease payments	\$	2,732,792
Less: amount representing interest		<u>(381,708)</u>
Present value of minimum lease payments under capital leases	\$	2,351,084
Less: current portion		<u>(339,290)</u>
Capital lease obligations, excluding current portion	\$	<u><u>2,011,794</u></u>

I. Deferred Revenue

At June 30, 2012, HMCHRC had deferred revenue amounting to \$70,101 related to prepayments of July 2012 private pay rent.

J. 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 www.tn.gov/treasury/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, 2012, 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, 2012, the medical center's annual pension cost of \$378,574 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, 2012, was \$507,095.

K. Commitments and Contingencies

1. Operating Lease Commitments

The medical center leases various equipment and space under operating lease agreements. Rent expense was \$406,554 in 2012. 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 2012.

The medical center generates rental income primarily from operating leases of medical office buildings and houses. Rental income was \$151,770 in 2012, and is included in other operating revenue. Lease terms are yearly or month-to-month.

2. Insurance

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 \$70,000 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 \$282,772 in 2012.

3. Healthcare Industry

The delivery of personal health care services entails an inherent risk of liability. Participants in the health care services industry have become subject to an increasing number of lawsuits alleging negligence or related legal theories, many of which involve large claims and result in the incurrence of significant exposure and defense costs. The medical center is insured with respect to medical malpractice risk on a claims-made basis. The medical center also maintains insurance for general liability, director and officer liability and property. Certain policies are subject to deductibles. In addition to the insurance coverage provided, the medical center indemnifies certain officers and directors for actions taken on behalf of the medical center. Management is not aware of any claims against the medical center which would have a material financial impact.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigation and/or regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as repayments for patient services previously billed. Management believes that the medical center is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations.

Management continues to implement policies, procedures, and a compliance overview organizational structure to enforce and monitor

compliance with the Health Insurance Portability and Accountability Act of 1996 and other government statutes 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 and Medicaid 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 and Medicaid billings are proper and adequate support is maintained, certain aspects of Medicare and Medicaid billing, coding, and support are subject to interpretation and may be viewed differently by the RAC auditors. As the amount of any recovery is unknown, management has not recorded any reserves related to RAC audits at this time.

4. Healthcare Reform

In March 2010, Congress adopted comprehensive health care insurance legislation, the Patient Care Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively, the "Health Care Reform Legislation"). The Health Care Reform Legislation, among other matters, is designed to expand access to health care coverage to substantially all citizens through a combination of public program expansion and private industry health insurance. Provisions of the Health Care Reform Legislation become effective at various dates over the next several years and a number of additional steps are required to implement these requirements. Due to the complexity of the Health Care Reform Legislation, reconciliation and implementation of the legislation continues to be under consideration by lawmakers, and it is not certain as to what changes may be made in the future regarding health care policies. Changes to existing Medicaid coverage and payments are also expected to occur as a result of this legislation. While the full impact of Health Care Reform Legislation is not yet fully known, changes to policies regarding reimbursement, universal health insurance and managed competition may materially impact the medical center's operations.

L. Subsequent Event

On August 16, 2012, the medical center purchased a building for \$915,000. The building houses the medical center's urgent care center. Prior to the purchase, the medical center was leasing the building from a third party for \$4,375 per month.

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

A. General Information

Hardin County Emergency Communications 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 district complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) 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. For enterprise funds, GASB Statement Nos. 20 and 34 provided the district the option of electing to apply FASB pronouncements issued after November 30, 1989. The district has elected not to apply those pronouncements.

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. It 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 ended June 30, 2012, 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, 2012, the district's annual pension cost of \$25,676 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 three percent annual rate of inflation, (c) 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), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) 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 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, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Year Ended	Pension Cost (APC)	of APC Contributed	Pension Obligation
6-30-12	\$ 25,676	100%	\$ 0
6-30-11	26,225	100	0
6-30-10	23,447	100	0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 71.85 percent funded. The actuarial accrued liability for benefits was \$.19 million, and the actuarial value of assets was \$.14 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.05 million. The covered payroll (annual payroll of active employees covered by the plan) was \$.31 million, and the ratio of the UAAL to the covered payroll was 17.1 percent.

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

H. Capital Assets

Capital assets activity for the year ended June 30, 2012, was as follows:

<u>Capital Assets</u>	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital Assets Not Depreciated:				
Land	\$ 127,150	\$ 0	\$ 0	\$ 127,150
Total Capital Assets Not Depreciated	\$ 127,150	\$ 0	\$ 0	\$ 127,150
Capital Assets Depreciated:				
Building Improvements	\$ 43,985	\$ 4,686	\$ 18,110	\$ 30,561
Buildings	1,238,920	0	0	1,238,920
Equipment - Capital Lease	692,335	0	0	692,335
Equipment and Software	370,277	0	0	370,277
Furniture and Fixtures	44,662	0	0	44,662
Vehicles	25,196	0	0	25,196
Maps	176,904	60,884	0	237,788
Total Capital Assets Depreciated	\$ 2,592,279	\$ 65,570	\$ 18,110	\$ 2,639,739

<u>Capital Assets (Cont.)</u>	Balance			Balance
	7-1-11	Increases	Decreases	
Less Accumulated Depreciation For:				
Building Improvements	\$ 15,374	\$ 983	\$ 11,852	\$ 4,505
Buildings	6,274	31,655	0	37,929
Equipment - Capital Lease	340,359	35,331	0	375,690
Equipment and Software	256,854	12,374	0	269,228
Furniture and Fixtures	372	4,466	0	4,838
Vehicles	25,196	0	0	25,196
Maps	144,638	12,886	0	157,524
Total Accumulated Depreciation	<u>\$ 789,067</u>	<u>\$ 97,695</u>	<u>\$ 11,852</u>	<u>\$ 874,910</u>
Total Capital Assets				
Depreciated, Net	<u>\$ 1,803,212</u>	<u>\$ (32,125)</u>	<u>\$ 6,258</u>	<u>\$ 1,764,829</u>
Total Capital Assets, Net	<u>\$ 1,930,362</u>	<u>\$ (32,125)</u>	<u>\$ 6,258</u>	<u>\$ 1,891,979</u>

Depreciation expense of \$97,695 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*. However, 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 were within 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

The following is a summary of changes in long-term debt for the year ended June 30, 2012:

	Balance 7-1-11	Payments or Retirements	Balance 6-30-12	Due Within One Year
Revenue Bonds	\$ 1,275,000	\$ 25,000	\$ 1,250,000	\$ 30,000

Annual Requirements to Retire Debt Outstanding

The annual aggregate maturities for revenue bonds payable for the years subsequent to June 30, 2012, are as follows:

Year Ending June 30	Revenue Bonds Business-type Activities		
	Principal	Interest	Total
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	30,000	73,006	103,006
2018-2022	170,000	371,437	541,437
2023-2027	195,000	367,637	562,637
2028-2032	235,000	369,131	604,131
2033-2037	290,000	371,807	661,807
2038-2040	210,000	228,276	438,276
Total	<u>\$ 1,250,000</u>	<u>\$ 2,079,768</u>	<u>\$ 3,329,768</u>

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 and Accounting Principles Board (APB) 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 HCCVB 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 sixty 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, 2012, was as follows:

	Balance 7-1-11	Increases	Balance 6-30-12
Capital Assets Depreciated:			
Furniture and Equipment	\$ 4,215	\$ 0	\$ 4,215
Total Capital Assets Depreciated	<u>\$ 4,215</u>	<u>\$ 0</u>	<u>\$ 4,215</u>
Less Accumulated Depreciation For:			
Furniture and Equipment	\$ (3,488)	\$ (174)	\$ (3,662)
Total Accumulated Depreciation	<u>\$ (3,488)</u>	<u>\$ (174)</u>	<u>\$ (3,662)</u>
Total Capital Assets Depreciated, Net	<u>\$ 727</u>	<u>\$ (174)</u>	<u>\$ 553</u>
Total Capital Assets, Net	<u><u>\$ 727</u></u>	<u><u>\$ (174)</u></u>	<u><u>\$ 553</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 and demand deposits.

6. 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 or 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. GASB Statement 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 the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance classification includes amounts that can be used only for the 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.

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. The legal level of budgetary control is at the line-item level. Budget revisions that reallocate dollars between line-items or that alter the total budget amount require board member's approval. Unexpended operating appropriations lapse at the end of the year. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, of the fund is presented as a fund financial statement.

Tennessee statutes prohibit expenses in excess of budget appropriations. Expenses exceeded budget appropriations for the year at the line-item and fund levels.

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 79 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. At year end, THC owed HCCVB \$71,649 due to HCCVB transactions flowing through THC in prior years.

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 \$4,106.

J. Risk Management

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

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, 2012

	Actual (GAAP Basis)	Less:		Add:	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Encumbrances 7/1/2011	Encumbrances 6/30/2012			Original	Final	
<u>Revenues</u>								
Local Taxes	\$ 6,242,477	\$ 0	\$ 0	\$ 6,242,477	\$ 6,149,830	\$ 6,149,830	\$ 92,647	
Licenses and Permits	99,715	0	0	99,715	100,200	100,200	(485)	
Fines, Forfeitures, and Penalties	171,774	0	0	171,774	175,320	175,320	(3,546)	
Charges for Current Services	111,688	0	0	111,688	44,750	100,250	11,438	
Other Local Revenues	332,972	0	0	332,972	346,025	362,493	(29,521)	
Fees Received from County Officials	1,276,767	0	0	1,276,767	1,234,000	1,241,000	35,767	
State of Tennessee	2,357,435	0	0	2,357,435	1,372,125	2,204,456	152,979	
Federal Government	660,935	0	0	660,935	264,973	830,198	(169,263)	
Other Governments and Citizens Groups	179,059	0	0	179,059	137,850	151,950	27,109	
Total Revenues	\$ 11,432,822	\$ 0	\$ 0	\$ 11,432,822	\$ 9,825,073	\$ 11,315,697	\$ 117,125	
<u>Expenditures</u>								
<u>General Government</u>								
County Commission	\$ 61,917	\$ 0	\$ 0	\$ 61,917	\$ 69,287	\$ 69,287	\$ 7,370	
Board of Equalization	1,200	0	0	1,200	1,000	1,000	(200)	
Beer Board	3,621	0	0	3,621	4,075	4,075	454	
Other Boards and Committees	0	0	0	0	1,100	1,100	1,100	
County Mayor/Executive	143,592	0	0	143,592	144,683	144,683	1,091	
County Attorney	3,589	0	0	3,589	7,000	7,000	3,411	
Election Commission	139,282	0	0	139,282	154,688	154,688	15,406	
Register of Deeds	133,194	(121)	0	133,073	143,470	143,470	10,397	
County Buildings	1,047,418	(4,985)	19,891	1,062,324	1,054,621	1,150,880	88,556	
<u>Finance</u>								
Accounting and Budgeting	106,153	0	0	106,153	106,745	106,745	592	
Property Assessor's Office	190,350	(121)	121	190,350	205,926	205,926	15,576	

(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 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
	\$	0 \$	0 \$	26,276 \$	27,000 \$	27,000 \$	724
		0	0	158,064	164,921	164,921	6,857
		(121)	121	236,947	239,320	240,682	3,735
<u>Administration of Justice</u>							
Circuit Court	280,439	(156)	285	280,568	277,619	288,928	8,360
General Sessions Court	135,351	0	285	135,636	136,111	136,111	475
Drug Court	0	0	9,541	9,541	10,300	10,300	759
Chancery Court	120,569	0	0	120,569	120,524	120,524	(45)
<u>Public Safety</u>							
Sheriff's Department	1,296,834	(16,661)	0	1,280,173	1,271,635	1,410,050	129,877
Traffic Control	25,410	0	0	25,410	19,035	30,179	4,769
Administration of the Sexual Offender Registry	1,136	0	0	1,136	1,200	1,200	64
Jail	1,450,314	0	0	1,450,314	1,460,959	1,530,343	80,029
Juvenile Services	102,170	(92)	0	102,078	107,294	107,294	5,216
Fire Prevention and Control	1,110,010	0	0	1,110,010	720,010	1,194,340	84,330
Civil Defense	101,373	0	50	101,423	88,476	109,641	8,218
Other Public Safety	258,568	0	0	258,568	268,796	268,796	10,228
<u>Public Health and Welfare</u>							
Local Health Center	125,122	0	0	125,122	130,825	130,825	5,703
Rabies and Animal Control	47,037	0	0	47,037	736,141	736,141	689,104
Ambulance/Emergency Medical Services	176,483	0	0	176,483	166,450	177,875	1,392
Alcohol and Drug Programs	30,000	0	0	30,000	30,000	30,000	0
Crippled Children Services	2,005	0	0	2,005	2,005	2,005	0
General Welfare Assistance	3,100	0	0	3,100	3,100	3,100	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 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Public Health and Welfare (Cont.)</u>							
Other Local Welfare Services	\$ 8,000	\$ 0	\$ 0	\$ 8,000	\$ 8,000	\$ 8,000	\$ 0
Sanitation Education/Information	122,053	0	0	122,053	105,629	122,211	158
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	65,865	0	0	65,865	65,572	68,302	2,437
Libraries	219,300	0	0	219,300	221,542	243,008	23,708
Other Social, Cultural, and Recreational	26,000	0	0	26,000	26,000	26,000	0
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	72,686	0	0	72,686	73,821	73,783	1,097
Forest Service	1,000	0	0	1,000	1,000	1,000	0
Soil Conservation	25,000	0	0	25,000	25,000	25,000	0
Flood Control	36,780	0	0	36,780	38,000	38,000	1,220
Other Agriculture and Natural Resources	4,703	0	0	4,703	6,230	6,230	1,527
<u>Other Operations</u>							
Tourism	191,856	0	19,735	211,591	180,000	209,500	(2,091)
Tourism-Resort District	626,726	0	49,906	676,632	94,500	684,500	7,868
Industrial Development	287,398	0	0	287,398	69,800	289,300	1,902
Other Economic and Community Development	70,765	(86)	224	70,903	75,000	75,000	4,097
Airport	25,000	0	0	25,000	25,000	25,000	0
Veterans' Services	50,192	0	0	50,192	51,872	51,872	1,680
Other Charges	254,929	0	0	254,929	256,269	257,269	2,340
Contributions to Other Agencies	15,500	0	0	15,500	15,500	15,500	0
Employee Benefits	1,415,044	0	0	1,415,044	1,530,618	1,530,618	115,574
Miscellaneous	6,687	0	0	6,687	8,800	8,800	2,113

(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 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Principal on Debt</u>							
General Government	\$ 214,605	\$ 0	\$ 0	\$ 214,605	\$ 0	\$ 214,605	\$ 0
Interest on Debt	41,400	0	0	41,400	0	41,400	0
General Government	\$ 11,299,013	\$ (22,343)	\$ 100,159	\$ 11,376,829	\$ 10,747,469	\$ 12,724,007	\$ 1,347,178
Total Expenditures							
Excess (Deficiency) of Revenues Over Expenditures	\$ 133,809	\$ 22,343	\$ (100,159)	\$ 55,993	\$ (922,396)	\$ (1,408,310)	\$ 1,464,303
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 1,074,000	\$ 0	\$ 0	\$ 1,074,000	\$ 1,074,000	\$ 1,074,000	\$ 0
Capital Leases Issued	130,999	0	0	130,999	0	130,999	0
Insurance Recovery	32,753	0	0	32,753	0	30,305	2,448
Transfers Out	(622,338)	0	0	(622,338)	(722,318)	(622,338)	0
Total Other Financing Sources (Uses)	\$ 615,414	\$ 0	\$ 0	\$ 615,414	\$ 351,682	\$ 612,966	\$ 2,448
Net Change in Fund Balance Fund Balance, July 1, 2011	\$ 749,223	\$ 22,343	\$ (100,159)	\$ 671,407	\$ (570,714)	\$ (795,344)	\$ 1,466,751
Fund Balance, June 30, 2012	4,439,703	(22,343)	0	4,417,360	4,677,827	4,677,827	(260,467)
Fund Balance, June 30, 2012	\$ 5,188,926	\$ 0	\$ (100,159)	\$ 5,088,767	\$ 4,107,113	\$ 3,882,483	\$ 1,206,284

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 790,794	\$ 856,086	\$ 856,086	\$ (65,292)
Other Local Revenues	52,345	35,000	53,660	(1,315)
State of Tennessee	1,971,557	2,087,328	2,091,120	(119,563)
Federal Government	1,181,779	171,000	1,272,780	(91,001)
Total Revenues	<u>\$ 3,996,475</u>	<u>\$ 3,149,414</u>	<u>\$ 4,273,646</u>	<u>\$ (277,171)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 257,473	\$ 266,986	\$ 266,986	\$ 9,513
Highway and Bridge Maintenance	2,032,945	1,345,700	2,481,272	448,327
Operation and Maintenance of Equipment	380,090	423,052	423,052	42,962
Other Charges	168,816	408,027	184,000	15,184
Employee Benefits	387,694	427,000	427,000	39,306
Capital Outlay	297,381	538,000	556,660	259,279
Total Expenditures	<u>\$ 3,524,399</u>	<u>\$ 3,408,765</u>	<u>\$ 4,338,970</u>	<u>\$ 814,571</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 472,076</u>	<u>\$ (259,351)</u>	<u>\$ (65,324)</u>	<u>\$ 537,400</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (224,026)	\$ 0	\$ (224,027)	\$ 1
Total Other Financing Sources (Uses)	<u>\$ (224,026)</u>	<u>\$ 0</u>	<u>\$ (224,027)</u>	<u>\$ 1</u>
Net Change in Fund Balance	\$ 248,050	\$ (259,351)	\$ (289,351)	\$ 537,401
Fund Balance, July 1, 2011	<u>477,652</u>	<u>302,330</u>	<u>302,330</u>	<u>175,322</u>
Fund Balance, June 30, 2012	<u>\$ 725,702</u>	<u>\$ 42,979</u>	<u>\$ 12,979</u>	<u>\$ 712,723</u>

Exhibit F-3

Hardin County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Hardin County School Department
June 30, 2012

(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)
7-1-11	\$ 18,541	\$ 20,281	\$ 1,740	91.42	% \$ 7,451	23.35 %
7-1-09	14,476	15,761	1,285	91.85	6,905	18.61
7-1-07	13,127	14,523	1,396	90.39	5,865	23.80

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, 2012

(Dollar amounts in thousands)

Component Units	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)
Medical Center	7-1-11	\$ 26,501	\$ 30,925	\$ 4,424	85.7	\$ 4,613	95.89
"	7-1-09	22,816	28,642	5,827	79.66	4,783	121.81
"	7-1-07	22,524	23,597	1,073	95.45	9,564	11.22
Emergency Communications District	7-1-11	137	190	54	71.85	313	17.1
"	7-1-09	0	0	0	0	0	0
"	7-1-07	0	0	0	0	0	0

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, 2012

(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	7-1-09	\$ 0	\$ 548	\$ 548	0%	\$ 4,199	13%
"	7-1-10	0	574	574	0	4,416	13
"	7-1-11	0	286	286	0	4,823	6
<u>DISCRETELY PRESENTED HARDIN COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-09	0	9,584	9,584	0	14,746	65
"	7-1-10	0	9,670	9,670	0	14,746	66
"	7-1-11	0	7,902	7,902	0	16,510	48

HARDIN COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2012

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 Hardin 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 Hardin 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.

**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, 2012

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 355	\$ 355
Equity in Pooled Cash and Investments	377,384	85,122	0	462,506
Accounts Receivable	21,413	0	0	21,413
Due from Other Governments	276,082	0	0	276,082
Total Assets	<u>\$ 674,879</u>	<u>\$ 85,122</u>	<u>\$ 355</u>	<u>\$ 760,356</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 351	\$ 0	\$ 0	\$ 351
Accrued Payroll	19,296	0	0	19,296
Payroll Deductions Payable	1,472	0	0	1,472
Due to Other Funds	0	0	355	355
Other Deferred Revenues	100,482	0	0	100,482
Total Liabilities	<u>\$ 121,601</u>	<u>\$ 0</u>	<u>\$ 355</u>	<u>\$ 121,956</u>
<u>Fund Balances</u>				
Restricted:				
Restricted for Public Safety	\$ 0	\$ 85,122	\$ 0	\$ 85,122
Committed:				
Committed for Public Health and Welfare	553,278	0	0	553,278
Total Fund Balances	<u>\$ 553,278</u>	<u>\$ 85,122</u>	<u>\$ 0</u>	<u>\$ 638,400</u>
Total Liabilities and Fund Balances	<u>\$ 674,879</u>	<u>\$ 85,122</u>	<u>\$ 355</u>	<u>\$ 760,356</u>

Exhibit G-2

Hardin County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	Special Revenue Funds				Total	Capital Projects Fund		Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Education Capital Projects		Education Capital Projects	Nonmajor Governmental Funds	
<u>Revenues</u>								
Local Taxes	\$ 959,221	\$ 0	\$ 0	\$ 0	\$ 959,221	\$ 0	\$ 0	\$ 959,221
Fines, Forfeitures, and Penalties	0	52,789	0	0	52,789	0	0	52,789
Charges for Current Services	292,152	0	14,688	0	306,840	0	0	306,840
Other Local Revenues	93,034	0	0	0	93,034	0	0	93,034
State of Tennessee	94,687	609	0	0	95,296	0	0	95,296
Other Governments and Citizens Groups	4,787	0	0	0	4,787	0	0	4,787
Total Revenues	\$ 1,443,881	\$ 53,398	\$ 14,688	\$ 0	\$ 1,511,967	\$ 0	\$ 0	\$ 1,511,967
<u>Expenditures</u>								
Current:								
Administration of Justice	\$ 0	\$ 0	\$ 14,688	\$ 0	\$ 14,688	\$ 0	\$ 0	\$ 14,688
Public Safety	0	31,886	0	0	31,886	0	0	31,886
Public Health and Welfare	1,348,220	0	0	0	1,348,220	0	0	1,348,220
Other Operations	166,010	4,489	0	0	170,499	0	0	170,499
Capital Projects	0	0	0	0	0	2,199,572	0	2,199,572
Total Expenditures	\$ 1,514,230	\$ 36,375	\$ 14,688	\$ 0	\$ 1,565,293	\$ 2,199,572	\$ 0	\$ 3,764,865
Excess (Deficiency) of Revenues Over Expenditures	\$ (70,349)	\$ 17,023	\$ 0	\$ 0	\$ (53,326)	\$ (2,199,572)	\$ 0	\$ (2,252,898)
<u>Other Financing Sources (Uses)</u>								
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 417,253	\$ 0	\$ 417,253
Capital Leases Issued	0	0	0	0	0	1,782,319	0	1,782,319
Insurance Recovery	120,586	0	0	0	120,586	0	0	120,586
Total Other Financing Sources (Uses)	\$ 120,586	\$ 0	\$ 0	\$ 0	\$ 120,586	\$ 2,199,572	\$ 0	\$ 2,320,158
Net Change in Fund Balances	\$ 50,237	\$ 17,023	\$ 0	\$ 0	\$ 67,260	\$ 0	\$ 0	\$ 67,260
Fund Balance, July 1, 2011	503,041	68,099	0	0	571,140	0	0	571,140
Fund Balance, June 30, 2012	\$ 553,278	\$ 85,122	\$ 0	\$ 0	\$ 638,400	\$ 0	\$ 0	\$ 638,400

Exhibit G-3

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 959,221	\$ 941,800	\$ 946,300	\$ 12,921
Charges for Current Services	292,152	320,000	320,000	(27,848)
Other Local Revenues	93,034	22,000	68,380	24,654
State of Tennessee	94,687	17,595	97,595	(2,908)
Other Governments and Citizens Groups	4,787	5,750	5,750	(963)
Total Revenues	\$ 1,443,881	\$ 1,307,145	\$ 1,438,025	\$ 5,856
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 72,787	\$ 71,248	\$ 73,248	\$ 461
Waste Pickup	550,156	413,574	572,988	22,832
Convenience Centers	364,261	287,643	377,696	13,435
Landfill Operation and Maintenance	361,016	363,500	363,500	2,484
<u>Other Operations</u>				
Other Charges	61,807	62,003	62,003	196
Employee Benefits	104,203	109,177	109,177	4,974
Total Expenditures	\$ 1,514,230	\$ 1,307,145	\$ 1,558,612	\$ 44,382
Excess (Deficiency) of Revenues Over Expenditures	\$ (70,349)	\$ 0	\$ (120,587)	\$ 50,238
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 120,586	\$ 0	\$ 120,586	\$ 0
Total Other Financing Sources (Uses)	\$ 120,586	\$ 0	\$ 120,586	\$ 0
Net Change in Fund Balance	\$ 50,237	\$ 0	\$ (1)	\$ 50,238
Fund Balance, July 1, 2011	503,041	480,095	480,095	22,946
Fund Balance, June 30, 2012	\$ 553,278	\$ 480,095	\$ 480,094	\$ 73,184

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 52,789	\$ 29,100	\$ 44,100	\$ 8,689
State of Tennessee	609	3,600	3,600	(2,991)
Total Revenues	<u>\$ 53,398</u>	<u>\$ 32,700</u>	<u>\$ 47,700</u>	<u>\$ 5,698</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 31,886	\$ 39,754	\$ 59,754	\$ 27,868
<u>Other Operations</u>				
Other Charges	1,745	1,734	1,734	(11)
Employee Benefits	2,744	13,233	13,233	10,489
Total Expenditures	<u>\$ 36,375</u>	<u>\$ 54,721</u>	<u>\$ 74,721</u>	<u>\$ 38,346</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 17,023</u>	<u>\$ (22,021)</u>	<u>\$ (27,021)</u>	<u>\$ 44,044</u>
Net Change in Fund Balance	\$ 17,023	\$ (22,021)	\$ (27,021)	\$ 44,044
Fund Balance, July 1, 2011	<u>68,099</u>	<u>61,587</u>	<u>61,587</u>	<u>6,512</u>
Fund Balance, June 30, 2012	<u><u>\$ 85,122</u></u>	<u><u>\$ 39,566</u></u>	<u><u>\$ 34,566</u></u>	<u><u>\$ 50,556</u></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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 214,151	\$ 211,833	\$ 211,833	\$ 2,318
Other Local Revenues	83,558	82,300	82,300	1,258
State of Tennessee	19,680	20,500	20,500	(820)
Other Governments and Citizens Groups	379,881	772,768	656,890	(277,009)
Total Revenues	<u>\$ 697,270</u>	<u>\$ 1,087,401</u>	<u>\$ 971,523</u>	<u>\$ (274,253)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 1,777,650	\$ 1,777,650	\$ 1,777,650	\$ 0
Highways and Streets	120,000	120,000	120,000	0
Education	189,280	189,280	189,280	0
<u>Interest on Debt</u>				
General Government	435,088	701,512	701,512	266,424
Highways and Streets	104,026	104,027	104,027	1
Education	23,163	31,038	31,038	7,875
<u>Other Debt Service</u>				
General Government	37,423	42,000	42,000	4,577
Total Expenditures	<u>\$ 2,686,630</u>	<u>\$ 2,965,507</u>	<u>\$ 2,965,507</u>	<u>\$ 278,877</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,989,360)</u>	<u>\$ (1,878,106)</u>	<u>\$ (1,993,984)</u>	<u>\$ 4,624</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 846,364	\$ 830,467	\$ 830,467	\$ 15,897
Total Other Financing Sources (Uses)	<u>\$ 846,364</u>	<u>\$ 830,467</u>	<u>\$ 830,467</u>	<u>\$ 15,897</u>
Net Change in Fund Balance	\$ (1,142,996)	\$ (1,047,639)	\$ (1,163,517)	\$ 20,521
Fund Balance, July 1, 2011	<u>2,423,033</u>	<u>2,421,800</u>	<u>2,421,800</u>	<u>1,233</u>
Fund Balance, June 30, 2012	<u>\$ 1,280,037</u>	<u>\$ 1,374,161</u>	<u>\$ 1,258,283</u>	<u>\$ 21,754</u>

Exhibit H-2

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Rural Debt Service Fund
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 384,537	\$ 380,000	\$ 380,000	\$ 4,537
Other Local Revenues	7,229	18,000	18,000	(10,771)
Federal Government	659,598	659,600	659,600	(2)
Other Governments and Citizens Groups	1,764,572	1,756,152	1,756,152	8,420
Total Revenues	<u>\$ 2,815,936</u>	<u>\$ 2,813,752</u>	<u>\$ 2,813,752</u>	<u>\$ 2,184</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 785,000	\$ 785,000	\$ 785,000	\$ 0
<u>Interest on Debt</u>				
Education	1,884,568	1,884,569	1,884,569	1
<u>Other Debt Service</u>				
Education	7,259	7,700	7,700	441
Total Expenditures	<u>\$ 2,676,827</u>	<u>\$ 2,677,269</u>	<u>\$ 2,677,269</u>	<u>\$ 442</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 139,109</u>	<u>\$ 136,483</u>	<u>\$ 136,483</u>	<u>\$ 2,626</u>
Net Change in Fund Balance	\$ 139,109	\$ 136,483	\$ 136,483	\$ 2,626
Fund Balance, July 1, 2011	<u>1,178,954</u>	<u>1,190,357</u>	<u>1,190,357</u>	<u>(11,403)</u>
Fund Balance, June 30, 2012	<u>\$ 1,318,063</u>	<u>\$ 1,326,840</u>	<u>\$ 1,326,840</u>	<u>\$ (8,777)</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, 2012

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,773,193	\$ 1,773,193
Due from Other Governments	497,949	0	497,949
Total Assets	<u>\$ 497,949</u>	<u>\$ 1,773,193</u>	<u>\$ 2,271,142</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 497,949	\$ 0	\$ 497,949
Due to Litigants, Heirs, and Others	0	1,773,193	1,773,193
Total Liabilities	<u>\$ 497,949</u>	<u>\$ 1,773,193</u>	<u>\$ 2,271,142</u>

Exhibit I-2

Hardin County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2012

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 2,868,690	\$ 2,868,690	\$ 0
Due from Other Governments	507,702	497,949	507,702	497,949
Total Assets	\$ 507,702	\$ 3,366,639	\$ 3,376,392	\$ 497,949
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 507,702	\$ 3,366,639	\$ 3,376,392	\$ 497,949
Total Liabilities	\$ 507,702	\$ 3,366,639	\$ 3,376,392	\$ 497,949
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,432,534	\$ 7,113,453	\$ 6,772,794	\$ 1,773,193
Total Assets	\$ 1,432,534	\$ 7,113,453	\$ 6,772,794	\$ 1,773,193
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,432,534	\$ 7,113,453	\$ 6,772,794	\$ 1,773,193
Total Liabilities	\$ 1,432,534	\$ 7,113,453	\$ 6,772,794	\$ 1,773,193
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,432,534	\$ 7,113,453	\$ 6,772,794	\$ 1,773,193
Equity in Pooled Cash and Investments	0	2,868,690	2,868,690	0
Due from Other Governments	507,702	497,949	507,702	497,949
Total Assets	\$ 1,940,236	\$ 10,480,092	\$ 10,149,186	\$ 2,271,142
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 507,702	\$ 3,366,639	\$ 3,376,392	\$ 497,949
Due to Litigants, Heirs, and Others	1,432,534	7,113,453	6,772,794	1,773,193
Total Liabilities	\$ 1,940,236	\$ 10,480,092	\$ 10,149,186	\$ 2,271,142

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, 2012

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	\$ 19,638,956	\$ 54,239	\$ 2,051,565	\$ 13,950	\$ (17,519,202)
Support Services	11,148,654	51,154	740,425	417,253	(9,939,822)
Operation of Non-Instructional Services	3,580,943	639,594	2,175,072	0	(766,277)
Interest on Long-term Debt	1,927	0	0	0	(1,927)
Other Debt Service	1,566,985	0	0	0	(1,566,985)
Total Governmental Activities	\$ 35,937,465	\$ 744,987	\$ 4,967,062	\$ 431,203	\$ (29,794,213)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 6,061,642
Local Option Sales Taxes					3,830,153
Grants and Contributions Not Restricted to Specific Programs					16,303,038
Miscellaneous					42,869
Total General Revenues					\$ 26,237,702
Change in Net Assets					\$ (3,556,511)
Net Assets, July 1, 2011					48,919,400
Prior-period Adjustment					(262,269)
Net Assets, June 30, 2012					\$ 45,100,620

Exhibit J-2

Hardin County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Hardin County School Department
June 30, 2012

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General Purpose School</u>	<u>Education Capital Projects</u>	<u>Other Governmental Funds</u>	
<u>ASSETS</u>				
Cash	\$ 0	\$ 2,009,819	\$ 0	\$ 2,009,819
Equity in Pooled Cash and Investments	2,349,538	1,322,466	327,404	3,999,408
Accounts Receivable	952	0	570	1,522
Due from Other Governments	939,723	0	194,683	1,134,406
Due from Other Funds	68,313	0	0	68,313
Property Taxes Receivable	6,511,087	0	0	6,511,087
Allowance for Uncollectible Property Taxes	(375,361)	0	0	(375,361)
Total Assets	\$ 9,494,252	\$ 3,332,285	\$ 522,657	\$ 13,349,194
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 40,182	\$ 0	\$ 61,437	\$ 101,619
Payroll Deductions Payable	242,527	0	0	242,527
Due to Other Funds	2,477	0	68,313	70,790
Due to Primary Government	125,867	0	0	125,867
Deferred Revenue - Current Property Taxes	5,871,620	0	0	5,871,620
Deferred Revenue - Delinquent Property Taxes	262,424	0	0	262,424
Other Deferred Revenues	374,529	0	13,180	387,709
Total Liabilities	\$ 6,919,626	\$ 0	\$ 142,930	\$ 7,062,556
<u>Fund Balances</u>				
Restricted:				
Restricted for Education	\$ 51,791	\$ 0	\$ 9,979	\$ 61,770
Restricted for Operation of Non-Instructional Services	0	0	369,748	369,748
Restricted for Capital Projects	0	3,332,285	0	3,332,285
Committed:				
Committed for Education	454,478	0	0	454,478
Unassigned	2,068,357	0	0	2,068,357
Total Fund Balances	\$ 2,574,626	\$ 3,332,285	\$ 379,727	\$ 6,286,638
Total Liabilities and Fund Balances	\$ 9,494,252	\$ 3,332,285	\$ 522,657	\$ 13,349,194

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, 2012

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)		\$ 6,286,638
(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	41,373,258	
Add: other capital assets net of accumulated depreciation	<u>1,713,773</u>	44,236,631
(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.		40,375
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: capital lease payable	\$ (1,782,319)	
Less: compensated absences payable	(578,403)	
Less: other postemployment benefits liability	<u>(3,752,435)</u>	(6,113,157)
(4) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>650,133</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 45,100,620</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, 2012

	Major Funds		Nonmajor	Total
	General	Education	Funds	
	Purpose	Capital	Other	
	School	Projects	Governmental	Governmental
			Funds	Funds
<u>Revenues</u>				
Local Taxes	\$ 9,963,032	\$ 0	\$ 0	\$ 9,963,032
Licenses and Permits	1,549	0	0	1,549
Charges for Current Services	31,454	0	629,090	660,544
Other Local Revenues	118,141	24,035	14,822	156,998
State of Tennessee	16,072,931	13,950	0	16,086,881
Federal Government	132,300	0	4,864,549	4,996,849
Other Governments and Citizens Groups	417,253	1,782,319	0	2,199,572
Total Revenues	\$ 26,736,660	\$ 1,820,304	\$ 5,508,461	\$ 34,065,425
<u>Expenditures</u>				
Current:				
Instruction	\$ 14,933,660	\$ 0	\$ 2,392,427	\$ 17,326,087
Support Services	10,186,468	0	946,851	11,133,319
Operation of Non-Instructional Services	757,803	0	2,509,638	3,267,441
Debt Service:				
Principal on Debt	25,245	0	0	25,245
Interest on Debt	1,927	0	0	1,927
Other Debt Service	1,566,985	0	0	1,566,985
Capital Projects	0	440,153	0	440,153
Total Expenditures	\$ 27,472,088	\$ 440,153	\$ 5,848,916	\$ 33,761,157
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (735,428)	\$ 1,380,151	\$ (340,455)	\$ 304,268
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 129,566	\$ 0	\$ 437	\$ 130,003
Total Other Financing Sources (Uses)	\$ 129,566	\$ 0	\$ 437	\$ 130,003
Net Change in Fund Balances	\$ (605,862)	\$ 1,380,151	\$ (340,018)	\$ 434,271
Fund Balance, July 1, 2011	3,180,488	1,952,134	719,745	5,852,367
Fund Balance, June 30, 2012	\$ 2,574,626	\$ 3,332,285	\$ 379,727	\$ 6,286,638

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, 2012

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)		\$	434,271
(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	\$	754,166	
Less: current-year depreciation expense		<u>(2,495,134)</u>	(1,740,968)
(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			(20,092)
(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, 2012	\$	650,133	
Less: deferred delinquent property taxes and other deferred June 30, 2011		<u>(635,968)</u>	14,165
(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.			
Less: capital lease proceeds	\$	(1,782,319)	
Add: principal payments on capital leases		<u>25,245</u>	(1,757,074)
(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	\$	116,777	
Change in other postemployment benefits liability		<u>(633,617)</u>	(516,840)
(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>30,027</u>
Change in net assets of governmental activities (Exhibit B)			<u>\$ (3,556,511)</u>

Exhibit J-6

Hardin County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Hardin County School Department
June 30, 2012

	<u>Special Revenue Funds</u>		Total
	School	Central	Nonmajor
	Federal	Cafeteria	Governmental
	Projects		Funds
	<hr/>		
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 37,005	\$ 290,399	\$ 327,404
Accounts Receivable	0	570	570
Due from Other Governments	90,900	103,783	194,683
	<hr/>		
Total Assets	\$ 127,905	\$ 394,752	\$ 522,657
	<hr/> <hr/>		
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 49,613	\$ 11,824	\$ 61,437
Due to Other Funds	68,313	0	68,313
Other Deferred Revenues	0	13,180	13,180
Total Liabilities	\$ 117,926	\$ 25,004	\$ 142,930
	<hr/>		
<u>Fund Balances</u>			
Restricted:			
Restricted for Education	\$ 9,979	\$ 0	\$ 9,979
Restricted for Operation of Non-Instructional Services	0	369,748	369,748
Total Fund Balances	\$ 9,979	\$ 369,748	\$ 379,727
	<hr/>		
Total Liabilities and Fund Balances	\$ 127,905	\$ 394,752	\$ 522,657
	<hr/> <hr/>		

Exhibit J-7

Hardin County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Hardin County School Department
For the Year Ended June 30, 2012

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>School</u>	<u>Central</u>	<u>Nonmajor</u>
	<u>Federal</u>	<u>Cafeteria</u>	<u>Governmental</u>
	<u>Projects</u>		<u>Funds</u>
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 629,090	\$ 629,090
Other Local Revenues	0	14,822	14,822
Federal Government	3,271,814	1,592,735	4,864,549
Total Revenues	<u>\$ 3,271,814</u>	<u>\$ 2,236,647</u>	<u>\$ 5,508,461</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 2,392,427	\$ 0	\$ 2,392,427
Support Services	946,851	0	946,851
Operation of Non-Instructional Services	0	2,509,638	2,509,638
Total Expenditures	<u>\$ 3,339,278</u>	<u>\$ 2,509,638</u>	<u>\$ 5,848,916</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>\$ (67,464)</u>	<u>\$ (272,991)</u>	<u>\$ (340,455)</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 0	\$ 437	\$ 437
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 437</u>	<u>\$ 437</u>
Net Change in Fund Balances	\$ (67,464)	\$ (272,554)	\$ (340,018)
Fund Balance, July 1, 2011	<u>77,443</u>	<u>642,302</u>	<u>719,745</u>
Fund Balance, June 30, 2012	<u>\$ 9,979</u>	<u>\$ 369,748</u>	<u>\$ 379,727</u>

Exhibit J-8

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 9,963,032	\$ 9,970,359	\$ 9,970,359	\$ (7,327)
Licenses and Permits	1,549	1,100	1,100	449
Charges for Current Services	31,454	25,100	25,100	6,354
Other Local Revenues	118,141	76,350	103,664	14,477
State of Tennessee	16,072,931	15,933,690	16,031,943	40,988
Federal Government	132,300	122,338	274,100	(141,800)
Other Governments and Citizens Groups	417,253	0	417,253	0
Total Revenues	<u>\$ 26,736,660</u>	<u>\$ 26,128,937</u>	<u>\$ 26,823,519</u>	<u>\$ (86,859)</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 12,334,795	\$ 11,772,568	\$ 12,351,498	\$ 16,703
Alternative Instruction Program	150,408	154,401	159,901	9,493
Special Education Program	1,535,866	1,566,622	1,554,122	18,256
Vocational Education Program	893,630	978,406	909,306	15,676
Adult Education Program	18,961	51,340	23,240	4,279
<u>Support Services</u>				
Attendance	158,898	163,113	165,313	6,415
Health Services	314,720	300,059	323,759	9,039
Other Student Support	1,271,660	1,101,576	1,362,826	91,166
Regular Instruction Program	1,024,630	1,092,667	1,067,211	42,581
Alternative Instruction Program	76,070	77,485	77,485	1,415
Special Education Program	160,291	166,400	167,900	7,609
Vocational Education Program	68,515	55,706	70,706	2,191
Adult Programs	42,487	77,426	44,676	2,189
Other Programs	153,972	0	153,972	0
Board of Education	648,633	597,694	659,944	11,311
Director of Schools	215,219	217,159	223,659	8,440
Office of the Principal	1,532,906	1,546,414	1,555,864	22,958
Fiscal Services	177,642	179,121	183,471	5,829
Human Services/Personnel	53,334	0	53,806	472
Operation of Plant	2,177,169	2,022,325	2,193,725	16,556
Maintenance of Plant	487,732	374,211	508,603	20,871
Transportation	1,507,057	1,410,190	1,554,123	47,066
Central and Other	115,533	115,152	119,852	4,319

(Continued)

Exhibit J-8

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	\$ 214,414	\$ 428,169	\$ 278,669	\$ 64,255
Early Childhood Education	543,389	547,378	547,440	4,051
<u>Principal on Debt</u>				
Education	25,245	0	25,245	0
<u>Interest on Debt</u>				
Education	1,927	0	3,340	1,413
<u>Other Debt Service</u>				
Education	1,566,985	0	1,550,708	(16,277)
Total Expenditures	<u>\$ 27,472,088</u>	<u>\$ 24,995,582</u>	<u>\$ 27,890,364</u>	<u>\$ 418,276</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>\$ (735,428)</u>	<u>\$ 1,133,355</u>	<u>\$ (1,066,845)</u>	<u>\$ 331,417</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 0	\$ 417,253	\$ 0	\$ 0
Insurance Recovery	129,566	100	260,981	(131,415)
Transfers Out	0	(1,550,708)	0	0
Total Other Financing Sources (Uses)	<u>\$ 129,566</u>	<u>\$ (1,133,355)</u>	<u>\$ 260,981</u>	<u>\$ (131,415)</u>
Net Change in Fund Balance	\$ (605,862)	\$ 0	\$ (805,864)	\$ 200,002
Fund Balance, July 1, 2011	<u>3,180,488</u>	<u>3,016,694</u>	<u>3,016,694</u>	<u>163,794</u>
Fund Balance, June 30, 2012	<u>\$ 2,574,626</u>	<u>\$ 3,016,694</u>	<u>\$ 2,210,830</u>	<u>\$ 363,796</u>

Exhibit J-9

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, 2012

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Federal Government	\$ 3,271,814	\$ 0	\$ 3,271,814	\$ 3,122,221	\$ 3,804,072	\$ (532,258)
Total Revenues	\$ 3,271,814	\$ 0	\$ 3,271,814	\$ 3,122,221	\$ 3,804,072	\$ (532,258)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 1,593,306	\$ (43,560)	\$ 1,549,746	\$ 1,554,753	\$ 1,554,109	\$ 4,363
Special Education Program	747,849	0	747,849	599,253	1,021,854	274,005
Vocational Education Program	51,272	0	51,272	56,101	51,271	(1)
<u>Support Services</u>						
Health Services	753	0	753	0	872	119
Other Student Support	45,283	(107)	45,176	51,182	52,656	7,480
Regular Instruction Program	687,791	(1,272)	686,519	966,337	860,294	173,775
Special Education Program	166,272	0	166,272	152,016	240,260	73,988
Transportation	46,752	0	46,752	57,579	55,109	8,357
Total Expenditures	\$ 3,339,278	\$ (44,939)	\$ 3,294,339	\$ 3,437,221	\$ 3,836,425	\$ 542,086
Excess (Deficiency) of Revenues Over Expenditures	\$ (67,464)	\$ 44,939	\$ (22,525)	\$ (315,000)	\$ (32,353)	\$ 9,828
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 0	\$ 0	\$ 0	\$ 94,295	\$ 0	\$ 0
Transfers Out	0	0	0	(94,295)	0	0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit J-9

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)	Less: Encumbrances 7/1/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Net Change in Fund Balance Fund Balance, July 1, 2011	\$ (67,464) 77,443	\$ 44,939 (44,939)	\$ (22,525) 32,504	\$ (315,000) 315,000	\$ (32,353) 315,000	\$ 9,828 (282,496)
Fund Balance, June 30, 2012	\$ 9,979	\$ 0	\$ 9,979	\$ 0	\$ 282,647	\$ (272,668)

Exhibit J-10

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 629,090	\$ 685,000	\$ 685,000	\$ (55,910)
Other Local Revenues	14,822	6,000	6,000	8,822
Federal Government	1,592,735	1,684,000	1,684,000	(91,265)
Total Revenues	<u>\$ 2,236,647</u>	<u>\$ 2,375,000</u>	<u>\$ 2,375,000</u>	<u>\$ (138,353)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 2,509,638	\$ 2,482,472	\$ 2,575,353	\$ 65,715
Total Expenditures	<u>\$ 2,509,638</u>	<u>\$ 2,482,472</u>	<u>\$ 2,575,353</u>	<u>\$ 65,715</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (272,991)</u>	<u>\$ (107,472)</u>	<u>\$ (200,353)</u>	<u>\$ (72,638)</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 437	\$ 0	\$ 0	\$ 437
Total Other Financing Sources (Uses)	<u>\$ 437</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 437</u>
Net Change in Fund Balance	\$ (272,554)	\$ (107,472)	\$ (200,353)	\$ (72,201)
Fund Balance, July 1, 2011	<u>642,302</u>	<u>444,864</u>	<u>444,864</u>	<u>197,438</u>
Fund Balance, June 30, 2012	<u><u>\$ 369,748</u></u>	<u><u>\$ 337,392</u></u>	<u><u>\$ 244,511</u></u>	<u><u>\$ 125,237</u></u>

Exhibit J-11

Hardin County, Tennessee
Statement of Net Assets
Discretely Presented Hardin County School Department
Proprietary Fund
June 30, 2012

	Governmental Activities - Internal Service Fund
	<u>Employee Insurance Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 48,196
Due from Other Funds	<u>2,477</u>
Total Assets	<u>\$ 50,673</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 10,298
Total Liabilities	<u>\$ 10,298</u>
<u>NET ASSETS</u>	
Unrestricted	<u>\$ 40,375</u>
Total Net Assets	<u>\$ 40,375</u>

Exhibit J-12

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, 2012

	Governmental Activities - Internal Service Fund <hr/> Employee Insurance Fund <hr/>
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
Self-Insurance Premiums/Contributions	\$ 259,179
Total Operating Revenues	<u>\$ 259,179</u>
<u>Operating Expenses</u>	
<u>Employee Benefits</u>	
Handling Charges and Administrative Costs	\$ 18,642
Office Supplies	71
Medical Claims	210,439
Total Operating Expenses	<u>\$ 229,152</u>
Operating Income	<u>\$ 30,027</u>
Change in Net Assets	\$ 30,027
Net Assets, July 1, 2011	<u>10,348</u>
Net Assets, June 30, 2012	<u><u>\$ 40,375</u></u>

Exhibit J-13

Hardin County, Tennessee
Statement of Cash Flows
Discretely Presented Hardin County School Department
Proprietary Fund
For the Year Ended June 30, 2012

	Governmental Activities - Internal Service Fund
	Employee Insurance Fund
<u>Cash Flows from Operating Activities</u>	
Receipts from Self-Insurance Premiums	\$ 257,255
Payments to Fiscal Agents	(18,642)
Payments for Office Supplies	(71)
Payments for Claims	(210,734)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 27,808</u>
Increase (Decrease) in Cash	\$ 27,808
Cash, July 1, 2011	<u>20,388</u>
Cash, June 30, 2012	<u><u>\$ 48,196</u></u>
<u>Reconciliation of Operating Income to Net Cash</u> <u>Provided By (Used In) Operating Activities</u>	
Operating Income	\$ 30,027
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	(1,924)
Decrease in Accounts Payable	(295)
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ 27,808</u></u>
<u>Reconciliation of Cash With the Statement of Net Assets</u>	
Cash Per Net Assets	<u>\$ 48,196</u>
Cash, June 30, 2012	<u><u>\$ 48,196</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, 2012

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-11	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-12
PRIMARY GOVERNMENT								
NOTES PAYABLE								
Payable through General Debt Service Fund								
School Buses, Series 2006	\$ 256,400	4.98	10-2-06	10-1-11	\$ 51,280	\$ 0	\$ 51,280	\$ 0
Courthouse Renovations, Series 2009	735,000	3.5	5-20-09	5-20-14	441,000	0	147,000	294,000
Energy Efficiency Loan - Courthouse Renovations	27,650	0	6-11-09	7-31-16	23,700	0	3,950	19,750
Capital Outlay Note, Series 2009 - School Buses	305,000	3.46	9-1-09	9-1-14	244,000	0	61,000	183,000
Capital Outlay Note, Series 2010 - Sheriff Vehicles	127,500	2.5	8-31-10	3-1-13	85,000	0	42,500	42,500
Capital Outlay Note, Series 2010 - Solid Waste Trucks	291,000	2.8	8-31-10	3-1-15	232,800	0	58,200	174,600
Capital Outlay Note, Series 2010 - School Buses	385,000	2.8	8-31-10	9-1-15	385,000	0	77,000	308,000
Capital Outlay Note, Series 2011 - School Buses	417,253	2.15	9-30-11	9-30-18	0	417,253	0	417,253
Capital Outlay Note, Series 2011 - Various Renovations	1,074,000	2	12-9-11	1-6-12	0	1,074,000	1,074,000	0
Total Notes Payable					\$ 1,462,780	\$ 1,491,253	\$ 1,514,930	\$ 1,439,103
CAPITAL LEASES PAYABLE								
Payable through General Fund								
Fire Trucks	427,788	4.75	6-6-03	6-6-13	\$ 102,127	\$ 0	\$ 49,879	\$ 52,248
Fire Trucks	429,882	4.75	11-21-05	11-21-15	215,105	0	44,837	170,268
Fire Trucks	495,000	5.38	7-31-07	7-31-17	331,991	0	47,408	284,583
Telephone Equipment	42,087	7.92	11-17-08	1-1-12	7,723	0	7,723	0
Fire Truck	224,189	5.1	6-28-10	2-15-20	204,442	0	18,469	185,973
Sheriff Vehicles	96,470	6	11-18-11	11-18-13	0	96,470	34,048	62,422
Sheriff Vehicle	34,529	6.49	12-7-11	12-7-13	0	34,529	12,241	22,288
Total Capital Leases Payable					\$ 861,388	\$ 130,999	\$ 214,605	\$ 777,782

(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 7-1-11	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-12
<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	\$ 7,830,000	\$ 0	\$ 215,000	\$ 7,615,000
General Obligation Bonds, Series 2008	5,000,000	3.85	2-14-08	6-1-37	4,510,000	0	125,000	4,385,000
Total Payable through General Debt Service Fund					\$ 12,340,000	\$ 0	\$ 340,000	\$ 12,000,000
<u>Payable through Rural Debt Service Fund</u>								
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	415,000	19,585,000
G.O. BAB School Bonds, Series 2010	6,000,000	2.84	3-25-10	6-1-26	5,845,000	0	370,000	5,475,000
Total Payable through Rural Debt Service Fund					\$ 35,845,000	\$ 0	\$ 785,000	\$ 35,060,000
Total Bonds Payable					\$ 48,185,000	\$ 0	\$ 1,125,000	\$ 47,060,000
<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	\$ 2,777	\$ 0	\$ 2,777	\$ 0
2008 Chevrolet Silverado 2500 4x4	25,895	11.4	7-25-08	6-25-12	7,542	0	7,542	0
2008 Chevrolet Impala LS	20,483	11.4	7-25-08	6-25-12	5,965	0	5,965	0
2008 Chevrolet Silverado with Modified Bed	24,726	17.9	9-26-08	4-19-12	8,961	0	8,961	0
Energy Management Project	1,782,319	3.05	6-20-12	11-20-26	0	1,782,319	0	1,782,319
Total Capital Leases Payable					\$ 25,245	\$ 1,782,319	\$ 25,245	\$ 1,782,319

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		Total
	Principal	Interest	
2013	\$ 449,258	\$ 37,461	\$ 486,719
2014	406,758	24,071	430,829
2015	259,758	11,719	271,477
2016	140,558	5,572	146,130
2017	63,558	3,204	66,762
2018	59,608	1,923	61,531
2019	59,605	641	60,246
Total	\$ 1,439,103	\$ 84,591	\$ 1,523,694

Year Ending June 30	Capital Leases		Total
	Principal	Interest	
2013	\$ 209,790	\$ 38,311	\$ 248,101
2014	166,090	27,280	193,370
2015	128,819	18,264	147,083
2016	103,563	11,969	115,532
2017	85,682	7,315	92,997
2018	30,202	4,025	34,227
2019	26,152	2,733	28,885
2020	27,484	1,400	28,884
Total	\$ 777,782	\$ 111,297	\$ 889,079

Year Ending June 30	Bonds		Total
	Principal	Interest	
2013	\$ 1,165,000	\$ 2,348,185	\$ 3,513,185
2014	1,195,000	2,315,789	3,510,789
2015	1,230,000	2,278,610	3,508,610
2016	1,270,000	2,235,129	3,505,129
2017	1,310,000	2,188,177	3,498,177
2018	1,355,000	2,136,801	3,491,801
2019	1,405,000	2,081,108	3,486,108
2020	1,450,000	2,021,699	3,471,699
2021	1,500,000	1,958,585	3,458,585
2022	1,555,000	1,891,567	3,446,567
2023	1,615,000	1,821,837	3,436,837
2024	1,670,000	1,748,639	3,418,639
2025	1,730,000	1,671,518	3,401,518

(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
2026	\$ 1,790,000	\$ 1,589,237	\$ 3,379,237
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	1,302,528	2,657,528
2031	1,410,000	1,231,980	2,641,980
2032	1,480,000	1,158,608	2,638,608
2033	1,540,000	1,079,247	2,619,247
2034	1,610,000	996,677	2,606,677
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	547,126	1,882,126
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	\$ 47,060,000	\$ 43,421,290	\$ 90,481,290

DISCRETELY PRESENTED HARDIN
COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Capital Lease		
	Principal	Interest	Total
2013	\$ 29,633	\$ 49,804	\$ 79,437
2014	106,628	52,245	158,873
2015	109,918	48,956	158,874
2016	113,309	45,564	158,873
2017	116,805	42,069	158,874
2018	120,408	38,465	158,873
2019	124,123	34,751	158,874
2020	127,952	30,921	158,873
2021	131,900	26,974	158,874
2022	135,969	22,905	158,874
2023	140,164	18,710	158,874
2024	144,488	14,386	158,874
2025	148,945	9,928	158,873
2026	153,540	5,333	158,873
2027	78,537	900	79,437
Total	\$ 1,782,319	\$ 441,911	\$ 2,224,230

Exhibit K-3

Hardin County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2012

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Highway/Public Works	General Debt Service	Debt retirement	\$ 622,338
	"	"	<u>224,026</u>
Total Transfers			<u>\$ 846,364</u>

Hardin County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Hardin County School Department
For the Year Ended June 30, 2012

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	\$ 72,592 (1)	\$ 50,000	CNA Surety Company
Highway Commissioner	Section 8-24-102, TCA	70,540	100,000	Western Surety Company
Director of Schools	State Board of Education and Hardin County Board of Education	88,840 (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 \$1,271 for serving as secretary to the Highway Commission.

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

(3) Does not include \$14,688 in special commissioner fees.

Exhibit K-5

Hardin County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2012

	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>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 4,364,756	\$ 0	\$ 0	\$ 0	\$ 583,150	\$ 194,378	\$ 0	\$ 5,142,284	
Trustee's Collections - Prior Year	174,899	0	0	0	15,903	8,857	0	199,659	
Trustee's Collections - Bankruptcy	161	0	0	0	15	8	0	184	
Circuit/Clerk & Master Collections - Prior Years	83,593	0	0	0	8,215	4,146	0	95,954	
Interest and Penalty	69,407	0	0	0	6,924	3,440	0	79,771	
Payments in-Lieu-of Taxes - T.V.A.	1,662	0	0	0	222	74	0	1,958	
Payments in-Lieu-of Taxes - Local Utilities	1,183	0	0	0	158	53	0	1,394	
Payments in-Lieu-of Taxes - Other	22,275	0	0	0	2,901	1,000	0	26,176	
<u>County Local Option Taxes</u>									
Local Option Sales Tax	1,783	576,806	0	0	0	0	384,537	963,126	
Hotel/Motel Tax	222,728	0	0	0	0	0	0	222,728	
Wheel Tax	968,634	0	0	0	112,913	0	0	1,081,547	
Litigation Tax - General	121,585	0	0	0	0	0	0	121,585	
Litigation Tax - Jail, Workhouse, or Courthouse	31,701	0	0	0	0	0	0	31,701	
Business Tax	128,812	0	0	0	0	0	0	128,812	
Mineral Severance Tax	0	0	0	0	53,807	0	0	53,807	
<u>Statutory Local Taxes</u>									
Bank Excise Tax	49,298	0	0	0	6,586	2,195	0	58,079	
Wholesale Beer Tax	0	381,715	0	0	0	0	0	381,715	
Interstate Telecommunications Tax	0	700	0	0	0	0	0	700	
Total Local Taxes	\$ 6,242,477	\$ 959,221	\$ 0	\$ 0	\$ 790,794	\$ 214,151	\$ 384,537	\$ 8,591,180	
<u>Licenses and Permits</u>									
<u>Licenses</u>									
Marriage Licenses	\$ 1,548	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,548	
Cable TV Franchise	92,459	0	0	0	0	0	0	92,459	
<u>Permits</u>									
Beer Permits	5,708	0	0	0	0	0	0	5,708	
Total Licenses and Permits	\$ 99,715	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 99,715	

(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>Circuit Court</u>									
Fines	\$ 5,484	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	5,484
Officers Costs	6,900	0	0	0	0	0	0	0	6,900
Game and Fish Fines	1,372	0	0	0	0	0	0	0	1,372
Drug Control Fines	338	0	3,253	0	0	0	0	0	3,591
Drug Court Fees	1,567	0	0	0	0	0	0	0	1,567
DUI Treatment Fines	855	0	0	0	0	0	0	0	855
Data Entry Fee - Circuit Court	668	0	0	0	0	0	0	0	668
Courtroom Security Fee	2	0	0	0	0	0	0	0	2
<u>General Sessions Court</u>									
Fines	40,376	0	0	0	0	0	0	0	40,376
Fines for Littering	142	0	0	0	0	0	0	0	142
Officers Costs	60,757	0	0	0	0	0	0	0	60,757
Game and Fish Fines	2,031	0	0	0	0	0	0	0	2,031
Drug Control Fines	20,978	0	5,431	0	0	0	0	0	26,409
Drug Court Fees	7,974	0	0	0	0	0	0	0	7,974
Jail Fees	4,037	0	0	0	0	0	0	0	4,037
DUI Treatment Fines	9,866	0	0	0	0	0	0	0	9,866
Data Entry Fee - General Sessions Court	4,407	0	0	0	0	0	0	0	4,407
Courtroom Security Fee	1,146	0	0	0	0	0	0	0	1,146
<u>Chancery Court</u>									
Data Entry Fee - Chancery Court	2,874	0	0	0	0	0	0	0	2,874
<u>Other Fines, Forfeitures, and Penalties</u>									
Proceeds from Confiscated Property	0	0	44,105	0	0	0	0	0	44,105
Total Fines, Forfeitures, and Penalties	\$ 171,774	\$ 0	\$ 52,789	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	224,563
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Commercial and Industrial Waste Collection Charge	\$ 0	\$ 290,862	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	290,862
Other General Service Charges	360	1,290	0	0	0	0	0	0	1,650

(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>									
Copy Fees	\$ 8	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8
Greenbelt Late Application Fee	150	0	0	0	0	0	0	0	150
Telephone Commissions	91,236	0	0	0	0	0	0	0	91,236
Constitutional Officers' Fees and Commissions	0	0	0	14,688	0	0	0	0	14,688
Data Processing Fee - Register	10,370	0	0	0	0	0	0	0	10,370
Data Processing Fee - Sheriff	6,406	0	0	0	0	0	0	0	6,406
Sexual Offender Registration Fees - Sheriff	1,350	0	0	0	0	0	0	0	1,350
Data Processing Fee - County Clerk	1,808	0	0	0	0	0	0	0	1,808
Total Charges for Current Services	\$ 111,688	\$ 292,152	\$ 0	\$ 14,688	\$ 0	\$ 0	\$ 0	\$ 0	\$ 418,528
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 119,887	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,229	\$ 127,116
Lease/Rentals	91,579	0	0	0	0	56,400	0	0	147,979
Sale of Maps	1,026	0	0	0	0	0	0	0	1,026
Sale of Recycled Materials	0	46,600	0	0	0	0	0	0	46,600
Refund of Telecommunication and Internet Fees (E-Rate)	2,000	0	0	0	0	0	0	0	2,000
Miscellaneous Refunds	26,054	54	0	0	33,685	7	0	0	59,800
<u>Nonrecurring Items</u>									
Sale of Equipment	12,932	46,380	0	0	18,660	0	0	0	77,972
Sale of Property	78,695	0	0	0	0	0	0	0	78,695
Damages Recovered from Individuals	799	0	0	0	0	0	0	0	799
<u>Other Local Revenues</u>									
Other Local Revenues	0	0	0	0	0	27,151	0	0	27,151
Total Other Local Revenues	\$ 332,972	\$ 93,034	\$ 0	\$ 0	\$ 52,345	\$ 83,558	\$ 7,229	\$ 0	\$ 569,138
<u>Fees Received from County Officials</u>									
<u>Fees in-Lieu-of-Salary</u>									
County Clerk	\$ 310,109	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 310,109
Circuit Court Clerk	73,251	0	0	0	0	0	0	0	73,251

(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>Fees Received from County Officials (Cont.)</u>									
<u>Fees in-Lieu-of Salary (Cont.)</u>									
General Sessions Court Clerk	\$ 244,329	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 244,329
Clerk and Master	103,435	0	0	0	0	0	0	0	103,435
Register	121,303	0	0	0	0	0	0	0	121,303
Sheriff	11,531	0	0	0	0	0	0	0	11,531
Trustee	412,809	0	0	0	0	0	0	0	412,809
Total Fees Received from County Officials	\$ 1,276,767	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,276,767
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 9,300	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,300
Aging Programs	25,437	0	0	0	0	0	0	0	25,437
Solid Waste Grants	0	16,165	0	0	0	0	0	0	16,165
Public Safety Grants	10,800	0	609	0	0	0	0	0	11,409
Law Enforcement Training Programs									
Public Works Grants									
State Aid Program	0	0	0	0	50,516	0	0	0	50,516
Litter Program	49,490	0	0	0	0	0	0	0	49,490
Other Public Works Grants	0	0	0	0	40,572	0	0	0	40,572
<u>Other State Revenues</u>									
Income Tax	92,680	0	0	0	0	0	0	0	92,680
Resort District Sales Tax	794,320	0	0	0	0	0	0	0	794,320
Beer Tax	18,421	0	0	0	0	0	0	0	18,421
Alcoholic Beverage Tax	55,652	0	0	0	0	0	0	0	55,652
Mixed Drink Tax	25,091	0	0	0	0	0	0	0	25,091
State Revenue Sharing - T.V.A.	441,899	0	0	0	59,039	19,680	0	0	520,618
Contracted Prisoner Boarding	465,780	0	0	0	0	0	0	0	465,780
Gasoline and Motor Fuel Tax	0	0	0	0	1,802,651	0	0	0	1,802,651
Petroleum Special Tax	0	0	0	0	18,779	0	0	0	18,779
Registrar's Salary Supplement	15,164	0	0	0	0	0	0	0	15,164
Other State Grants	239,356	78,522	0	0	0	0	0	0	317,878

(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>State of Tennessee (Cont.)</u>									
<u>Other State Revenues (Cont.)</u>									
Other State Revenues	\$ 114,045	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 114,045
Total State of Tennessee	\$ 2,357,435	\$ 94,687	\$ 609	\$ 0	\$ 1,971,557	\$ 19,680	\$ 0	\$ 0	\$ 4,443,968
<u>Federal Government</u>									
<u>Federal Through State</u>									
Community Development	\$ 483,332	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 483,332
Disaster Relief	0	0	0	0	1,181,779	0	0	0	1,181,779
Homeland Security Grants	159,625	0	0	0	0	0	0	0	159,625
Other Federal through State	6,500	0	0	0	0	0	0	0	6,500
<u>Direct Federal Revenue</u>									
Tax Credit Bond Rebate	0	0	0	0	0	0	0	0	659,598
Other Direct Federal Revenue	11,478	0	0	0	0	0	0	0	11,478
Total Federal Government	\$ 660,935	\$ 0	\$ 0	\$ 0	\$ 1,181,779	\$ 0	\$ 0	\$ 659,598	\$ 2,502,312
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Prisoner Board	\$ 5,396	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,396
Contributions	1,000	0	0	0	0	379,881	1,764,572	0	2,145,453
Contracted Services	126,702	4,787	0	0	0	0	0	0	131,489
<u>Citizens Groups</u>									
Donations	26,368	0	0	0	0	0	0	0	26,368
<u>Other</u>									
Other	19,593	0	0	0	0	0	0	0	19,593
Total Other Governments and Citizens Groups	\$ 179,059	\$ 4,787	\$ 0	\$ 0	\$ 0	\$ 379,881	\$ 1,764,572	\$ 0	\$ 2,328,299
Total	\$ 11,432,822	\$ 1,443,881	\$ 53,398	\$ 14,688	\$ 3,996,475	\$ 697,270	\$ 2,815,936	\$ 20,454,470	

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, 2012

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 5,578,185	\$ 0	\$ 0	\$ 0	\$ 5,578,185
Trustee's Collections - Prior Year	248,857	0	0	0	248,857
Trustee's Collections - Bankruptcy	230	0	0	0	230
Circuit/Clerk & Master Collections - Prior Years	116,865	0	0	0	116,865
Interest and Penalty	97,968	0	0	0	97,968
Payments in-Lieu-of Taxes - T.V.A.	2,124	0	0	0	2,124
Payments in-Lieu-of Taxes - Local Utilities	1,512	0	0	0	1,512
Payments in-Lieu-of Taxes - Other	28,657	0	0	0	28,657
<u>County Local Option Taxes</u>					
Local Option Sales Tax	3,825,631	0	0	0	3,825,631
<u>Statutory Local Taxes</u>					
Bank Excise Tax	63,003	0	0	0	63,003
Total Local Taxes	\$ 9,963,032	\$ 0	\$ 0	\$ 0	\$ 9,963,032
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 1,549	\$ 0	\$ 0	\$ 0	\$ 1,549
Total Licenses and Permits	\$ 1,549	\$ 0	\$ 0	\$ 0	\$ 1,549
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Lunch Payments - Children	\$ 0	\$ 0	\$ 182,825	\$ 0	\$ 182,825
Lunch Payments - Adults	0	0	82,051	0	82,051
Income from Breakfast	0	0	46,046	0	46,046
A la carte Sales	0	0	318,168	0	318,168
Receipts from Individual Schools	29,300	0	0	0	29,300
<u>Other Charges for Services</u>					
Other Charges for Services	2,154	0	0	0	2,154
Total Charges for Current Services	\$ 31,454	\$ 0	\$ 629,090	\$ 0	\$ 660,544
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 3,906	\$ 0	\$ 3,906
Lease/Rentals	760	0	0	0	760
Miscellaneous Refunds	13,592	0	10,916	0	24,508
<u>Nonrecurring Items</u>					
Sale of Equipment	15,085	0	0	0	15,085
Sale of Property	1,200	0	0	0	1,200
Damages Recovered from Individuals	2,076	0	0	0	2,076
Contributions and Gifts	1,150	0	0	24,035	25,185
<u>Other Local Revenues</u>					
Other Local Revenues	84,278	0	0	0	84,278
Total Other Local Revenues	\$ 118,141	\$ 0	\$ 14,822	\$ 24,035	\$ 156,998
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-Behalf Contributions for OPEB	\$ 153,972	\$ 0	\$ 0	\$ 0	\$ 153,972

(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	\$ 14,285,000	\$ 0	\$ 0	\$ 0	\$ 14,285,000
Early Childhood Education	540,246	0	0	0	540,246
School Food Service	18,823	0	0	0	18,823
Energy Efficient School Initiative	0	0	0	13,950	13,950
Driver Education	18,040	0	0	0	18,040
Other State Education Funds	142,017	0	0	0	142,017
Career Ladder Program	206,060	0	0	0	206,060
Career Ladder - Extended Contract	75,367	0	0	0	75,367
Career Ladder - Extended Contract - ARRA	41,127	0	0	0	41,127
<u>Other State Revenues</u>					
Mixed Drink Tax	25,091	0	0	0	25,091
State Revenue Sharing - T.V.A.	564,748	0	0	0	564,748
Other State Grants	2,440	0	0	0	2,440
Total State of Tennessee	\$ 16,072,931	\$ 0	\$ 0	\$ 13,950	\$ 16,086,881
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,025,292	\$ 0	\$ 1,025,292
USDA - Commodities	0	0	92,881	0	92,881
Breakfast	0	0	420,893	0	420,893
USDA - Other	0	0	22,869	0	22,869
USDA Food Service Equipment Grant - ARRA	0	0	30,800	0	30,800
Adult Education State Grant Program	10,296	0	0	0	10,296
Vocational Education - Basic Grants to States	0	76,251	0	0	76,251
Title I Grants to Local Education Agencies	0	1,337,876	0	0	1,337,876
Special Education - Grants to States	8,804	946,443	0	0	955,247
Rural Education	0	147,859	0	0	147,859
Eisenhower Professional Development State Grants	0	316,250	0	0	316,250
Race-to-the-Top - ARRA	0	184,658	0	0	184,658
Other Federal through State	1,631	262,477	0	0	264,108
<u>Direct Federal Revenue</u>					
Other Direct Federal Revenue	111,569	0	0	0	111,569
Total Federal Government	\$ 132,300	\$ 3,271,814	\$ 1,592,735	\$ 0	\$ 4,996,849
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 417,253	\$ 0	\$ 0	\$ 1,782,319	\$ 2,199,572
Total Other Governments and Citizens Groups	\$ 417,253	\$ 0	\$ 0	\$ 1,782,319	\$ 2,199,572
Total	\$ 26,736,660	\$ 3,271,814	\$ 2,236,647	\$ 1,820,304	\$ 34,065,425

Exhibit K-7

Hardin County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2012

General Fund

General Government

County Commission

Clerical Personnel	\$	6,930	
Board and Committee Members Fees		35,700	
Audit Services		7,808	
Dues and Memberships		1,700	
Operating Lease Payments		3,370	
Legal Services		1,400	
Travel		3,298	
Other Charges		1,711	
Total County Commission			\$ 61,917

Board of Equalization

Board and Committee Members Fees	\$	1,200	
Total Board of Equalization			1,200

Beer Board

Board and Committee Members Fees	\$	3,300	
Office Supplies		321	
Total Beer Board			3,621

County Mayor/Executive

County Official/Administrative Officer	\$	71,321	
Secretary(ies)		25,307	
Clerical Personnel		12,716	
Educational Incentive - Other County Employees		9,000	
Other Fringe Benefits		6,000	
Communication		3,565	
Postal Charges		5,332	
Travel		4,502	
Office Supplies		3,749	
Office Equipment		2,100	
Total County Mayor/Executive			143,592

County Attorney

Legal Services	\$	3,589	
Total County Attorney			3,589

Election Commission

County Official/Administrative Officer	\$	55,575	
Deputy(ies)		15,453	
Part-time Personnel		3,962	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Board and Committee Members Fees	\$	4,905	
Election Workers		10,990	
In-Service Training		1,681	
Communication		1,923	
Data Processing Services		18,548	
Legal Notices, Recording, and Court Costs		1,234	
Postal Charges		3,155	
Printing, Stationery, and Forms		18,305	
Travel		165	
Office Supplies		2,886	
Office Equipment		500	
Total Election Commission			\$ 139,282

Register of Deeds

County Official/Administrative Officer	\$	61,750	
Deputy(ies)		46,301	
Communication		2,354	
Contracts with Private Agencies		1,422	
Data Processing Services		10,214	
Postal Charges		264	
Travel		1,100	
Other Contracted Services		4,700	
Office Supplies		5,089	
Total Register of Deeds			133,194

County Buildings

Custodial Personnel	\$	88,987	
Communication		780	
Engineering Services		28,653	
Maintenance and Repair Services - Buildings		37,416	
Maintenance and Repair Services - Equipment		2,122	
Pest Control		1,768	
Custodial Supplies		8,705	
Food Supplies		3,143	
Gasoline		4,903	
Small Tools		483	
Utilities		70,416	
Other Supplies and Materials		1,492	
Building and Contents Insurance		1,500	
Liability Insurance		206,586	

(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.)

Premiums on Corporate Surety Bonds	\$	3,654	
Other Charges		24,175	
Building Improvements		69,652	
Maintenance Equipment		6,514	
Motor Vehicles		30,410	
Other Construction		361,400	
Other Capital Outlay		94,659	
Total County Buildings			\$ 1,047,418

Finance

Accounting and Budgeting

Accountants/Bookkeepers	\$	47,883	
Clerical Personnel		43,929	
In-Service Training		500	
Communication		1,112	
Data Processing Services		6,858	
Printing, Stationery, and Forms		839	
Travel		936	
Office Supplies		3,596	
Office Equipment		500	
Total Accounting and Budgeting			106,153

Property Assessor's Office

County Official/Administrative Officer	\$	61,750	
Secretary(ies)		24,030	
Clerical Personnel		54,640	
Other Salaries and Wages		10,502	
Communication		1,112	
Contracts with Government Agencies		1,901	
Contracts with Private Agencies		16,860	
Data Processing Services		7,378	
Postal Charges		362	
Travel		2,890	
Office Supplies		5,925	
Office Equipment		3,000	
Total Property Assessor's Office			190,350

Reappraisal Program

Other Salaries and Wages	\$	13,999	
Data Processing Services		4,470	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program (Cont.)

Travel	\$	5,807	
Office Supplies		2,000	
Total Reappraisal Program			\$ 26,276

County Trustee's Office

County Official/Administrative Officer	\$	61,750	
Deputy(ies)		24,229	
Part-time Personnel		14,916	
Other Salaries and Wages		24,291	
Communication		2,323	
Data Processing Services		19,986	
Dues and Memberships		876	
Postal Charges		6,823	
Travel		326	
Office Supplies		2,544	
Total County Trustee's Office			158,064

County Clerk's Office

County Official/Administrative Officer	\$	61,750	
Deputy(ies)		46,682	
Clerical Personnel		57,718	
Part-time Personnel		27,278	
Educational Incentive - Other County Employees		1,500	
Communication		2,240	
Data Processing Services		15,957	
Postal Charges		6,741	
Travel		1,100	
Office Supplies		6,634	
Refunds		1,362	
Office Equipment		7,985	
Total County Clerk's Office			236,947

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	61,750	
Deputy(ies)		140,999	
Clerical Personnel		25,307	
Part-time Personnel		7,231	
Jury and Witness Expense		14,221	
Communication		2,361	

(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	\$	9,187	
Postal Charges		3,575	
Travel		913	
Office Supplies		12,860	
Other Charges		1,660	
Office Equipment		375	
Total Circuit Court			\$ 280,439

General Sessions Court

Judge(s)	\$	106,159	
Secretary(ies)		24,009	
Communication		1,214	
Travel		2,405	
Other Contracted Services		149	
Office Supplies		1,415	
Total General Sessions Court			135,351

Chancery Court

County Official/Administrative Officer	\$	61,750	
Deputy(ies)		24,116	
Educational Incentive - Other County Employees		1,500	
Other Salaries and Wages		19,998	
Communication		727	
Data Processing Services		3,551	
Postal Charges		400	
Travel		1,300	
Office Supplies		7,227	
Total Chancery Court			120,569

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	67,928	
Assistant(s)		25,641	
Deputy(ies)		633,861	
Salary Supplements		10,800	
Secretary(ies)		27,350	
Part-time Personnel		33,848	
Other Salaries and Wages		28,440	
In-Service Training		8,392	
Communication		8,873	

(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.)

Data Processing Services	\$	12,550	
Dues and Memberships		2,000	
Maintenance and Repair Services - Equipment		5,500	
Maintenance and Repair Services - Vehicles		57,865	
Travel		843	
Other Contracted Services		44,350	
Gasoline		123,286	
Instructional Supplies and Materials		4,500	
Law Enforcement Supplies		5,883	
Office Supplies		8,919	
Uniforms		11,918	
Utilities		4,141	
Communication Equipment		3,500	
Law Enforcement Equipment		18,483	
Motor Vehicles		130,999	
Other Capital Outlay		16,964	
Total Sheriff's Department			\$ 1,296,834

Traffic Control

Deputy(ies)	\$	17,896	
Other Fringe Benefits		7,514	
Total Traffic Control			25,410

Administration of the Sexual Offender Registry

Office Supplies	\$	1,136	
Total Administration of the Sexual Offender Registry			1,136

Jail

Guards	\$	643,750	
Attendants		1,000	
Part-time Personnel		63,769	
Other Salaries and Wages		26,046	
In-Service Training		5,193	
Communication		9,200	
Legal Services		550	
Maintenance and Repair Services - Buildings		45,183	
Medical and Dental Services		129,640	
Other Contracted Services		71,346	
Custodial Supplies		22,010	
Food Preparation Supplies		7,541	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Food Supplies	\$	164,886	
Office Supplies		6,192	
Prisoners Clothing		4,493	
Uniforms		4,956	
Utilities		156,031	
Other Supplies and Materials		24,911	
Other Charges		50,723	
Building Improvements		12,894	
Total Jail			\$ 1,450,314

Juvenile Services

Youth Service Officer(s)	\$	42,603	
Educational Assistants		27,661	
Other Salaries and Wages		22,527	
In-Service Training		1,247	
Communication		1,831	
Data Processing Services		1,950	
Transportation - Other than Students		1,208	
Travel		500	
Office Supplies		2,187	
Office Equipment		456	
Total Juvenile Services			102,170

Fire Prevention and Control

Captain(s)	\$	41,371	
Mechanic(s)		117,669	
Part-time Personnel		18,229	
Other Salaries and Wages		4,283	
In-Service Training		8,510	
Communication		6,287	
Maintenance and Repair Services - Buildings		2,392	
Maintenance and Repair Services - Equipment		8,697	
Maintenance and Repair Services - Vehicles		59,917	
Travel		2,000	
Remittance of Revenue Collected		19,946	
Other Contracted Services		20,004	
Drugs and Medical Supplies		992	
Gasoline		46,343	
Instructional Supplies and Materials		2,601	
Office Supplies		2,200	

(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.)

Uniforms	\$	5,014	
Utilities		40,133	
Other Supplies and Materials		2,463	
Other Charges		39,854	
Building Improvements		61,948	
Motor Vehicles		73,308	
Site Development		5,807	
Other Equipment		41,768	
Other Capital Outlay		<u>478,274</u>	
Total Fire Prevention and Control			\$ 1,110,010

Civil Defense

Assistant(s)	\$	29,951	
Supervisor/Director		6,512	
Clerical Personnel		18,369	
Part-time Personnel		7,360	
Other Salaries and Wages		2,223	
Communication		789	
Maintenance and Repair Services - Equipment		1,232	
Maintenance and Repair Services - Vehicles		999	
Travel		599	
Equipment and Machinery Parts		2,767	
Gasoline		1,000	
Office Supplies		2,997	
Other Supplies and Materials		8,631	
Other Charges		17,444	
Office Equipment		<u>500</u>	
Total Civil Defense			101,373

Other Public Safety

Supervisor/Director	\$	3,296	
Contracts with Government Agencies		<u>255,272</u>	
Total Other Public Safety			258,568

Public Health and Welfare

Local Health Center

Medical Personnel	\$	60,802	
Communication		2,896	
Contracts with Government Agencies		34,000	
Janitorial Services		5,700	

(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.)

Maintenance and Repair Services - Buildings	\$	2,003	
Postal Charges		176	
Travel		4,909	
Custodial Supplies		926	
Drugs and Medical Supplies		1,945	
Office Supplies		2,266	
Utilities		9,499	
Total Local Health Center			\$ 125,122

Rabies and Animal Control

Other Salaries and Wages	\$	2,346	
Other Contracted Services		44,365	
Office Supplies		326	
Total Rabies and Animal Control			47,037

Ambulance/Emergency Medical Services

Contracts with Private Agencies	\$	100,000	
Utilities		1,208	
Motor Vehicles		75,275	
Total Ambulance/Emergency Medical Services			176,483

Alcohol and Drug Programs

Contributions	\$	30,000	
Total Alcohol and Drug Programs			30,000

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	\$	7,309	
Social Security		453	
Unemployment Compensation		132	
Employer Medicare		106	
Total Other Local Welfare Services			8,000

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Education/Information

Foremen	\$	34,890	
Other Salaries and Wages		26,439	
Maintenance and Repair Services - Equipment		2,652	
Gasoline		3,000	
Instructional Supplies and Materials		9,800	
Other Supplies and Materials		20,272	
Motor Vehicles		25,000	
Total Sanitation Education/Information			\$ 122,053

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$	25,523	
Custodial Personnel		7,290	
Part-time Personnel		7,477	
Other Salaries and Wages		11,598	
Communication		1,518	
Maintenance and Repair Services - Buildings		1,560	
Maintenance and Repair Services - Vehicles		1,100	
Postal Charges		88	
Travel		1,000	
Gasoline		1,846	
Office Supplies		849	
Utilities		2,247	
Other Supplies and Materials		1,592	
Vehicle and Equipment Insurance		873	
Other Equipment		1,304	
Total Senior Citizens Assistance			65,865

Libraries

Assistant(s)	\$	23,299	
Supervisor/Director		32,166	
Custodial Personnel		7,694	
Part-time Personnel		11,118	
Other Salaries and Wages		67,328	
Communication		3,760	
Data Processing Services		1,200	
Maintenance and Repair Services - Buildings		1,973	
Travel		1,732	
Custodial Supplies		1,700	
Office Supplies		16,009	

(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.)

Utilities	\$	29,011	
Building Improvements		2,843	
Other Equipment		19,467	
Total Libraries			\$ 219,300

Other Social, Cultural, and Recreational

Contributions	\$	26,000	
Total Other Social, Cultural, and Recreational			26,000

Agriculture and Natural Resources

Agriculture Extension Service

County Official/Administrative Officer	\$	16,628	
Assistant(s)		14,682	
Deputy(ies)		8,525	
Secretary(ies)		9,407	
Other Salaries and Wages		5,500	
Social Security		3,767	
Other Fringe Benefits		7,605	
Communication		1,572	
Office Supplies		5,000	
Total Agriculture Extension Service			72,686

Forest Service

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

Soil Conservation

Contributions	\$	25,000	
Total Soil Conservation			25,000

Flood Control

Other Salaries and Wages	\$	3,000	
Contributions		33,000	
Office Supplies		780	
Total Flood Control			36,780

Other Agriculture and Natural Resources

Part-time Personnel	\$	3,625	
Food Preparation Supplies		111	
Utilities		967	
Total Other Agriculture and Natural Resources			4,703

(Continued)

Exhibit K-7

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

General Fund (Cont.)Other OperationsTourism

Contributions	\$ 191,856	
Total Tourism		\$ 191,856

Tourism-Resort District

Contributions	\$ 94,416	
Remittance of Revenue Collected	532,310	
Total Tourism-Resort District		626,726

Industrial Development

Contracts with Government Agencies	\$ 55,000	
Dues and Memberships	11,295	
Other Contracted Services	219,500	
Other Charges	1,603	
Total Industrial Development		287,398

Other Economic and Community Development

Other Charges	\$ 12,324	
Other Construction	58,441	
Total Other Economic and Community Development		70,765

Airport

Contributions	\$ 25,000	
Total Airport		25,000

Veterans' Services

Supervisor/Director	\$ 26,651	
Secretary(ies)	18,500	
Communication	903	
Travel	1,711	
Office Supplies	1,516	
Office Equipment	911	
Total Veterans' Services		50,192

Other Charges

Trustee's Commission	\$ 120,296	
Workers' Compensation Insurance	125,188	
Other Self-Insured Claims	9,445	
Total Other Charges		254,929

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Other Operations (Cont.)

Contributions to Other Agencies

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

Employee Benefits

Social Security	\$ 230,620	
State Retirement	338,768	
Life Insurance	12,909	
Medical Insurance	738,531	
Dental Insurance	25,035	
Unemployment Compensation	14,938	
Employer Medicare	54,243	
Total Employee Benefits		1,415,044

Miscellaneous

Legal Services	\$ 1,043	
Medical and Dental Services	167	
Other Charges	5,477	
Total Miscellaneous		6,687

Principal on Debt

General Government

Principal on Capital Leases	\$ 214,605	
Total General Government		214,605

Interest on Debt

General Government

Interest on Capital Leases	\$ 41,400	
Total General Government		41,400

Total General Fund		\$ 11,299,013
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Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$ 47,883
Secretary(ies)	12,716
Audit Services	2,028
Communication	3,325
Maintenance and Repair Services - Equipment	97
Travel	1,795

(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.)

Office Supplies	\$	2,444	
Office Equipment		<u>2,499</u>	
Total Sanitation Management			\$ 72,787

Waste Pickup

Mechanic(s)	\$	35,991	
Truck Drivers		126,763	
Maintenance and Repair Services - Equipment		79,987	
Gasoline		132,916	
Small Tools		1,413	
Tires and Tubes		27,892	
Other Supplies and Materials		2,296	
Motor Vehicles		132,998	
Solid Waste Equipment		<u>9,900</u>	
Total Waste Pickup			550,156

Convenience Centers

Laborers	\$	231,270	
Advertising		180	
Communication		4,872	
Maintenance and Repair Services - Buildings		13,399	
Rentals		2,400	
Utilities		18,278	
Other Supplies and Materials		15,294	
Other Charges		46	
Solid Waste Equipment		<u>78,522</u>	
Total Convenience Centers			364,261

Landfill Operation and Maintenance

Disposal Fees	\$	350,441	
Other Contracted Services		9,575	
Site Development		<u>1,000</u>	
Total Landfill Operation and Maintenance			361,016

Other Operations

Other Charges

Trustee's Commission	\$	13,104	
Workers' Compensation Insurance		<u>48,703</u>	
Total Other Charges			61,807

(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	\$	27,319	
State Retirement		21,095	
Life Insurance		842	
Medical Insurance		43,578	
Dental Insurance		1,487	
Unemployment Compensation		3,313	
Employer Medicare		6,569	
Total Employee Benefits			\$ 104,203

Total Solid Waste/Sanitation Fund \$ 1,514,230

Drug Control Fund

Public Safety

Drug Enforcement

Investigator(s)	\$	4,668	
Salary Supplements		609	
Office Supplies		110	
Law Enforcement Equipment		26,499	
Total Drug Enforcement			\$ 31,886

Other Operations

Other Charges

Trustee's Commission	\$	11	
Workers' Compensation Insurance		1,734	
Total Other Charges			1,745

Employee Benefits

Social Security	\$	327	
State Retirement		566	
Life Insurance		32	
Medical Insurance		1,685	
Dental Insurance		57	
Employer Medicare		77	
Total Employee Benefits			2,744

Total Drug Control Fund 36,375

(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	\$ 14,688	
Total Chancery Court		\$ 14,688

Total Constitutional Officers - Fees Fund \$ 14,688

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 70,540	
Assistant(s)	50,181	
Secretary to Board	1,271	
Accountants/Bookkeepers	68,293	
Board and Committee Members Fees	5,036	
Communication	20,108	
Data Processing Services	8,602	
Dues and Memberships	3,670	
Legal Notices, Recording, and Court Costs	34	
Maintenance Agreements	441	
Postal Charges	1,266	
Printing, Stationery, and Forms	1,443	
Travel	6,541	
Electricity	7,396	
Food Preparation Supplies	2,854	
Natural Gas	1,088	
Office Supplies	4,299	
Water and Sewer	670	
Other Charges	3,740	
Total Administration		\$ 257,473

Highway and Bridge Maintenance

Laborers	\$ 616,503
Other Contracted Services	791,536
Asphalt	30,318
Asphalt - Cold Mix	10,759
Asphalt - Hot Mix	399,814
Concrete	192
Crushed Stone	74,971
Office Supplies	629
Pipe	32,862
Road Signs	10,158

(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	\$	396	
Gravel and Chert		19,620	
Other Supplies and Materials		10,905	
Other Charges		34,282	
Total Highway and Bridge Maintenance			\$ 2,032,945

Operation and Maintenance of Equipment

Mechanic(s)	\$	32,698	
Laborers		22,485	
Maintenance Personnel		32,698	
Maintenance and Repair Services - Equipment		27,047	
Maintenance and Repair Services - Vehicles		8,223	
Diesel Fuel		108,986	
Equipment and Machinery Parts		48,817	
Garage Supplies		6,733	
Gasoline		45,298	
Lubricants		4,812	
Propane Gas		295	
Small Tools		1,101	
Tires and Tubes		39,301	
Other Supplies and Materials		1,596	
Total Operation and Maintenance of Equipment			380,090

Other Charges

Liability Insurance	\$	22,064	
Trustee's Commission		32,814	
Workers' Compensation Insurance		113,938	
Total Other Charges			168,816

Employee Benefits

Social Security	\$	77,792	
State Retirement		82,622	
Life Insurance		4,197	
Medical Insurance		204,518	
Dental Insurance		8,580	
Unemployment Compensation		9,985	
Total Employee Benefits			387,694

Capital Outlay

Maintenance and Repair Services - Buildings	\$	8,780	
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(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.)

Building Improvements	\$	1,898	
Data Processing Equipment		563	
Highway Equipment		53,866	
Motor Vehicles		216,701	
State Aid Projects		15,573	
Total Capital Outlay			\$ 297,381

Total Highway/Public Works Fund \$ 3,524,399

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	220,000	
Principal on Notes		1,325,650	
Principal on Other Loans		232,000	
Total General Government			\$ 1,777,650

Highways and Streets

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

Education

Principal on Notes	\$	189,280	
Total Education			189,280

Interest on Debt

General Government

Interest on Bonds	\$	386,440	
Interest on Notes		26,207	
Interest on Other Loans		22,441	
Total General Government			435,088

Highways and Streets

Interest on Bonds	\$	104,026	
Total Highways and Streets			104,026

Education

Interest on Notes	\$	23,163	
Total Education			23,163

(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	\$	4,979	
Other Debt Service		<u>32,444</u>	
Total General Government			\$ <u>37,423</u>
Total General Debt Service Fund			\$ 2,686,630
<u>Rural Debt Service Fund</u>			
<u>Principal on Debt</u>			
<u>Education</u>			
Principal on Bonds	\$	<u>785,000</u>	
Total Education			\$ 785,000
<u>Interest on Debt</u>			
<u>Education</u>			
Interest on Bonds	\$	<u>1,884,568</u>	
Total Education			1,884,568
<u>Other Debt Service</u>			
<u>Education</u>			
Trustee's Commission	\$	3,814	
Other Debt Service		<u>3,445</u>	
Total Education			<u>7,259</u>
Total Rural Debt Service Fund			2,676,827
<u>Education Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Education Capital Projects</u>			
Contributions	\$	<u>2,199,572</u>	
Total Education Capital Projects			\$ <u>2,199,572</u>
Total Education Capital Projects Fund			<u>2,199,572</u>
Total Governmental Funds - Primary Government			<u>\$ 23,951,734</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, 2012

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 8,283,747	
Career Ladder Program	115,569	
Career Ladder Extended Contracts	60,010	
Educational Assistants	168,705	
Other Salaries and Wages	26,276	
Certified Substitute Teachers	287,079	
Social Security	526,341	
State Retirement	779,940	
Medical Insurance	1,530,197	
Dental Insurance	71,885	
Employer Medicare	123,684	
Maintenance and Repair Services - Equipment	1,863	
Instructional Supplies and Materials	3,394	
Textbooks	267,065	
Other Supplies and Materials	78,558	
Other Charges	342	
Regular Instruction Equipment	10,140	
Total Regular Instruction Program		\$ 12,334,795

Alternative Instruction Program

Teachers	\$ 10,478	
Career Ladder Program	2,000	
Homebound Teachers	87,886	
Educational Assistants	12,097	
Certified Substitute Teachers	742	
Social Security	3,920	
State Retirement	10,214	
Medical Insurance	20,460	
Dental Insurance	1,002	
Employer Medicare	917	
Other Supplies and Materials	692	
Total Alternative Instruction Program		150,408

Special Education Program

Teachers	\$ 1,068,649
Career Ladder Program	13,234
Homebound Teachers	33,727
Educational Assistants	17,497
Other Salaries and Wages	10

(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	\$	11,880	
Social Security		69,029	
State Retirement		102,699	
Medical Insurance		180,698	
Dental Insurance		8,906	
Employer Medicare		16,145	
Maintenance and Repair Services - Equipment		222	
Other Supplies and Materials		7,210	
Other Charges		5,960	
Total Special Education Program			\$ 1,535,866

Vocational Education Program

Teachers	\$	611,132	
Career Ladder Program		4,000	
Certified Substitute Teachers		15,637	
Social Security		37,163	
State Retirement		55,669	
Medical Insurance		119,103	
Dental Insurance		5,566	
Employer Medicare		8,691	
Maintenance and Repair Services - Equipment		3,658	
Other Supplies and Materials		24,253	
Vocational Instruction Equipment		8,758	
Total Vocational Education Program			893,630

Adult Education Program

Teachers	\$	1,287	
Other Salaries and Wages		15,399	
Social Security		955	
State Retirement		122	
Employer Medicare		242	
Instructional Supplies and Materials		812	
Other Supplies and Materials		144	
Total Adult Education Program			18,961

Support Services

Attendance

Supervisor/Director	\$	59,378	
Clerical Personnel		47,484	

(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.)

Social Security	\$	6,573	
State Retirement		10,131	
Medical Insurance		28,893	
Dental Insurance		1,670	
Employer Medicare		1,537	
Travel		1,814	
Other Supplies and Materials		893	
In Service/Staff Development		525	
Total Attendance			\$ 158,898

Health Services

Medical Personnel	\$	196,138	
Social Security		10,765	
State Retirement		19,648	
Medical Insurance		41,014	
Dental Insurance		2,338	
Employer Medicare		2,518	
Travel		892	
Other Contracted Services		20,072	
Drugs and Medical Supplies		13,312	
Other Supplies and Materials		6,523	
In Service/Staff Development		1,500	
Total Health Services			314,720

Other Student Support

Career Ladder Program	\$	7,500	
Guidance Personnel		561,381	
Psychological Personnel		72,015	
Attendants		65,387	
Other Salaries and Wages		121,344	
Social Security		46,524	
State Retirement		64,942	
Medical Insurance		131,493	
Dental Insurance		6,345	
Employer Medicare		11,639	
Communication		7,440	
Contracts with Government Agencies		80,675	
Evaluation and Testing		14,829	
Travel		9,384	

(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.)

Other Contracted Services	\$	18,606	
Other Supplies and Materials		23,263	
In Service/Staff Development		16,779	
Other Equipment		12,114	
Total Other Student Support			\$ 1,271,660

Regular Instruction Program

Supervisor/Director	\$	115,985	
Career Ladder Program		15,985	
Librarians		360,149	
Instructional Computer Personnel		118,861	
Clerical Personnel		28,037	
Educational Assistants		59,695	
Other Salaries and Wages		55,692	
Social Security		43,832	
State Retirement		66,165	
Medical Insurance		98,155	
Dental Insurance		5,399	
Employer Medicare		10,590	
Maintenance and Repair Services - Equipment		7,636	
Travel		5,324	
Other Contracted Services		7,261	
Library Books/Media		3,574	
Other Supplies and Materials		15,627	
Other Charges		6,663	
Total Regular Instruction Program			1,024,630

Alternative Instruction Program

Supervisor/Director	\$	52,406	
Social Security		2,947	
State Retirement		4,743	
Medical Insurance		9,852	
Dental Insurance		334	
Employer Medicare		689	
Travel		3,963	
Other Supplies and Materials		497	
In Service/Staff Development		639	
Total Alternative Instruction Program			76,070

(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	\$	65,296	
Career Ladder Program		3,342	
Assessment Personnel		40,690	
Speech Pathologist		8,418	
Social Security		7,260	
State Retirement		11,050	
Medical Insurance		12,844	
Dental Insurance		668	
Employer Medicare		1,698	
Travel		6,926	
Other Supplies and Materials		270	
In Service/Staff Development		540	
Other Charges		1,289	
Total Special Education Program			\$ 160,291

Vocational Education Program

Supervisor/Director	\$	31,478	
Career Ladder Program		1,000	
Secretary(ies)		10,664	
Social Security		2,533	
State Retirement		4,008	
Medical Insurance		13,821	
Dental Insurance		612	
Employer Medicare		592	
Maintenance and Repair Services - Equipment		425	
Travel		1,840	
Other Supplies and Materials		200	
In Service/Staff Development		25	
Other Charges		1,317	
Total Vocational Education Program			68,515

Adult Programs

Supervisor/Director	\$	30,746
Career Ladder Program		500
Social Security		1,661
State Retirement		2,444
Medical Insurance		3,023
Dental Insurance		223
Employer Medicare		388

(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.)

Maintenance and Repair Services - Equipment	\$	324	
Travel		1,202	
Other Supplies and Materials		147	
In Service/Staff Development		300	
Other Charges		<u>1,529</u>	
Total Adult Programs			\$ 42,487

Other Programs

On-Behalf Payments to OPEB	\$	<u>153,972</u>	
Total Other Programs			153,972

Board of Education

Board and Committee Members Fees	\$	11,436	
Dental Insurance		2,588	
Unemployment Compensation		22,320	
Other Fringe Benefits		123,648	
Audit Services		17,000	
Dues and Memberships		8,717	
Legal Services		43,735	
Travel		8,120	
Other Contracted Services		4,232	
Other Supplies and Materials		1,435	
Liability Insurance		47,245	
Trustee's Commission		209,103	
Workers' Compensation Insurance		143,589	
In Service/Staff Development		5,365	
Other Charges		<u>100</u>	
Total Board of Education			648,633

Director of Schools

County Official/Administrative Officer	\$	87,840	
Career Ladder Program		1,000	
Secretary(ies)		34,890	
Clerical Personnel		20,165	
Social Security		8,889	
State Retirement		13,555	
Medical Insurance		18,238	
Dental Insurance		1,336	
Employer Medicare		2,079	

(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.)

Communication	\$	5,187	
Dues and Memberships		1,965	
Maintenance and Repair Services - Equipment		929	
Postal Charges		3,712	
Travel		3,003	
Other Contracted Services		4,402	
Office Supplies		4,851	
Other Supplies and Materials		2,994	
In Service/Staff Development		55	
Other Charges		129	
Total Director of Schools			\$ 215,219

Office of the Principal

Principals	\$	416,690	
Career Ladder Program		10,000	
Accountants/Bookkeepers		90,261	
Assistant Principals		457,410	
Secretary(ies)		27,476	
Clerical Personnel		64,269	
Social Security		63,044	
State Retirement		97,461	
Medical Insurance		183,401	
Dental Insurance		9,017	
Employer Medicare		14,744	
Communication		10,150	
Dues and Memberships		725	
Maintenance and Repair Services - Equipment		11,087	
Travel		3,800	
Other Contracted Services		42,068	
Other Supplies and Materials		28,863	
Other Charges		2,440	
Total Office of the Principal			1,532,906

Fiscal Services

Supervisor/Director	\$	64,727	
Accountants/Bookkeepers		34,890	
Clerical Personnel		23,399	
Social Security		7,347	
State Retirement		12,034	

(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.)

Medical Insurance	\$	17,162	
Dental Insurance		1,197	
Employer Medicare		1,718	
Data Processing Services		8,965	
Maintenance and Repair Services - Equipment		1,975	
Data Processing Supplies		1,496	
Office Supplies		1,531	
In Service/Staff Development		1,200	
Other Charges		1	
Total Fiscal Services			\$ 177,642

Human Services/Personnel

Supervisor/Director	\$	52,347	
Employer Medicare		759	
Office Supplies		228	
Total Human Services/Personnel			53,334

Operation of Plant

Custodial Personnel	\$	205,312	
Social Security		12,542	
State Retirement		18,524	
Medical Insurance		67,839	
Dental Insurance		4,202	
Employer Medicare		2,943	
Janitorial Services		456,800	
Disposal Fees		16,854	
Other Contracted Services		4,924	
Custodial Supplies		37,520	
Electricity		990,120	
Natural Gas		73,838	
Water and Sewer		75,634	
Other Supplies and Materials		37,184	
Boiler Insurance		7,375	
Building and Contents Insurance		134,360	
Other Charges		8,289	
Plant Operation Equipment		22,909	
Total Operation of Plant			2,177,169

(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.)

Maintenance of Plant

Supervisor/Director	\$	39,100	
Maintenance Personnel		117,871	
Social Security		8,648	
State Retirement		12,519	
Medical Insurance		34,819	
Dental Insurance		2,087	
Employer Medicare		2,023	
Maintenance and Repair Services - Buildings		129,811	
Maintenance and Repair Services - Equipment		61,430	
Equipment and Machinery Parts		31,458	
General Construction Materials		21,703	
Other Supplies and Materials		23,265	
Other Charges		2,028	
Maintenance Equipment		970	
Total Maintenance of Plant			\$ 487,732

Transportation

Supervisor/Director	\$	58,782
Mechanic(s)		60,257
Bus Drivers		423,459
Social Security		30,260
State Retirement		45,737
Medical Insurance		46,694
Dental Insurance		2,588
Employer Medicare		7,240
Contracts with Parents		11,356
Maintenance and Repair Services - Vehicles		8,505
Medical and Dental Services		4,937
Other Contracted Services		5,605
Diesel Fuel		214,748
Garage Supplies		6,914
Gasoline		15,204
Lubricants		6,752
Tires and Tubes		20,063
Vehicle Parts		49,926
Other Supplies and Materials		7,902
Vehicle and Equipment Insurance		41,483
In Service/Staff Development		650
Other Charges		5,198

(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.)

Administration Equipment	\$	7,175	
Transportation Equipment		<u>425,622</u>	
Total Transportation	\$		1,507,057

Central and Other

Supervisor/Director	\$	71,280	
Career Ladder Program		1,000	
Other Salaries and Wages		21,950	
Social Security		4,399	
State Retirement		6,541	
Medical Insurance		6,386	
Dental Insurance		334	
Employer Medicare		1,347	
Travel		1,687	
Office Supplies		231	
Other Supplies and Materials		223	
In Service/Staff Development		<u>155</u>	
Total Central and Other			115,533

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	66,845	
Career Ladder Program		3,000	
Accountants/Bookkeepers		13,669	
Other Salaries and Wages		6,524	
Social Security		4,518	
State Retirement		5,044	
Medical Insurance		102,764	
Dental Insurance		5,755	
Employer Medicare		1,142	
Communication		2,400	
Travel		2,723	
In Service/Staff Development		<u>30</u>	
Total Food Service			214,414

Early Childhood Education

Supervisor/Director	\$	17,937	
Teachers		222,931	
Career Ladder Program		2,000	

(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.)

Early Childhood Education (Cont.)

Educational Assistants	\$	86,006	
Other Salaries and Wages		31,555	
Certified Substitute Teachers		6,770	
Social Security		21,824	
State Retirement		31,142	
Medical Insurance		86,910	
Dental Insurance		4,370	
Employer Medicare		5,104	
Travel		1,361	
Instructional Supplies and Materials		15,686	
Other Supplies and Materials		7,061	
In Service/Staff Development		735	
Other Charges		1,997	
Total Early Childhood Education			\$ 543,389

Principal on Debt

Education

Principal on Capital Leases	\$	25,245	
Total Education			25,245

Interest on Debt

Education

Interest on Capital Leases	\$	1,927	
Total Education			1,927

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	1,566,985	
Total Education			1,566,985

Total General Purpose School Fund \$ 27,472,088

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	868,090	
Educational Assistants		179,227	
Other Salaries and Wages		22,061	
Certified Substitute Teachers		6,898	

(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.)

Regular Instruction Program (Cont.)

Social Security	\$	64,002	
State Retirement		97,593	
Medical Insurance		209,500	
Dental Insurance		11,355	
Employer Medicare		15,064	
Other Contracted Services		3,707	
Instructional Supplies and Materials		54,862	
Other Supplies and Materials		48,866	
Other Charges		723	
Regular Instruction Equipment		11,358	
Total Regular Instruction Program			\$ 1,593,306

Special Education Program

Teachers	\$	8,274	
Educational Assistants		328,350	
Speech Pathologist		47,694	
Other Salaries and Wages		240	
Social Security		23,148	
State Retirement		33,085	
Medical Insurance		169,764	
Dental Insurance		9,323	
Employer Medicare		5,414	
Contracts with Private Agencies		70,930	
Evaluation and Testing		500	
Instructional Supplies and Materials		22,748	
Other Supplies and Materials		18,689	
Special Education Equipment		9,690	
Total Special Education Program			747,849

Vocational Education Program

Teachers	\$	35,736	
Social Security		2,118	
State Retirement		3,234	
Medical Insurance		5,627	
Dental Insurance		334	
Employer Medicare		495	
Other Contracted Services		1,000	
Instructional Supplies and Materials		511	
Vocational Instruction Equipment		2,217	
Total Vocational Education Program			51,272

(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

Health Services

Medical Personnel	\$	640	
Social Security		40	
State Retirement		64	
Employer Medicare		9	
Total Health Services			\$ 753

Other Student Support

Other Salaries and Wages	\$	6,600	
Social Security		409	
State Retirement		603	
Employer Medicare		96	
Travel		24,304	
Other Contracted Services		11,772	
Other Supplies and Materials		1,499	
Total Other Student Support			45,283

Regular Instruction Program

Supervisor/Director	\$	74,128	
Other Salaries and Wages		348,528	
Social Security		25,781	
State Retirement		38,313	
Medical Insurance		51,170	
Dental Insurance		2,672	
Employer Medicare		6,040	
Consultants		900	
Travel		5,261	
Other Contracted Services		2,986	
Library Books/Media		3,163	
Other Supplies and Materials		66,104	
In Service/Staff Development		62,277	
Other Charges		468	
Total Regular Instruction Program			687,791

Special Education Program

Psychological Personnel	\$	45,667	
Assessment Personnel		43,430	
Secretary(ies)		11,237	
Speech Pathologist		8,490	
Social Security		5,868	

(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.)

Special Education Program (Cont.)

State Retirement	\$	10,399	
Medical Insurance		22,070	
Dental Insurance		1,002	
Employer Medicare		1,372	
Travel		3,841	
Other Supplies and Materials		6,846	
In Service/Staff Development		761	
Other Equipment		5,289	
Total Special Education Program			\$ 166,272

Transportation

Bus Drivers	\$	39,760	
Social Security		2,438	
State Retirement		3,984	
Employer Medicare		570	
Total Transportation			46,752

Total School Federal Projects Fund \$ 3,339,278

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Accountants/Bookkeepers	\$	50,000	
Cafeteria Personnel		652,804	
Other Salaries and Wages		28,372	
Social Security		42,458	
State Retirement		57,429	
Medical Insurance		213,524	
Dental Insurance		12,390	
Employer Medicare		9,991	
Communication		5,019	
Maintenance and Repair Services - Equipment		13,568	
Transportation - Other than Students		5,879	
Travel		6,237	
Other Contracted Services		22,362	
Food Preparation Supplies		57,973	
Food Supplies		1,042,868	
Office Supplies		7,028	
USDA - Commodities		92,881	

(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.)

Other Supplies and Materials	\$ 38,955	
In Service/Staff Development	6,469	
Other Charges	3,216	
Food Service Equipment	140,215	
Total Food Service	<u>140,215</u>	<u>\$ 2,509,638</u>

Total Central Cafeteria Fund \$ 2,509,638

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Architects	\$ 1,200	
Building Construction	52,951	
Building Improvements	330,454	
Data Processing Equipment	2,639	
Right-of-Way	38,424	
Site Development	14,485	
Total Education Capital Projects	<u>440,153</u>	<u>\$ 440,153</u>

Total Education Capital Projects Fund 440,153

Total Governmental Funds - Hardin County School Department \$ 33,761,157

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, 2012

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 2,868,690
Total Cash Receipts	<u>\$ 2,868,690</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 2,840,003
Trustee's Commission	28,687
Total Cash Disbursements	<u>\$ 2,868,690</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2011	<u>0</u>
Cash Balance, June 30, 2012	<u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT 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 30, 2013

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, 2012, which collectively comprise Hardin County's basic financial statements and have issued our report thereon dated January 30, 2013. 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

The management of Hardin County is responsible for establishing and maintaining effective 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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses: 12.01 and 12.09.

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: 12.05, 12.06, and 12.07.

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 12.02, 12.03, 12.04, and 12.08.

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 LOCAL GOVERNMENT 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

Independent Auditor's Report

January 30, 2013

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited Hardin County's compliance 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, 2012. 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, 2012.

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 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

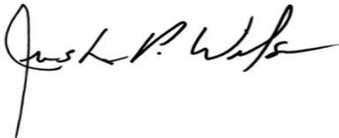
We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County as of and for the year ended June 30, 2012, and have issued our report thereon dated January 30, 2013. 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, 2012

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	\$ 420,893
National School Lunch Program	10.555	N/A	1,025,292 (3)
Summer Food Service Program for Children	10.559	N/A	22,869
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	N/A	30,800
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	92,881 (3)
ARRA - Emergency Watershed Protection Program	10.923	N/A	40,572
Passed-through State Library and Archives:			
ARRA - Community Facilities Loans and Grants	10.780	N/A	6,728
Total U.S. Department of Agriculture			\$ 1,640,035
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	GG1033198	\$ 483,332
Total U.S. Department of Housing and Urban Development			\$ 483,332
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(2)	\$ 9,300
Total U.S. Department of Justice			\$ 9,300
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
State and Community Highway Safety	20.600	(2)	\$ 236,481
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	34101-0000006382	6,500
Total U.S. Department of Transportation			\$ 242,981
U.S. Department of Education:			
Direct Program:			
Fund for the Improvement of Education	84.215	N/A	\$ 111,569
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	N/A	10,296
Passed-through State Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	N/A	1,286,098
Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A	44,639
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	895,049
Special Education - Preschool Grants	84.173	N/A	57,275
Special Education - Grants to States, Recovery Act	84.391	N/A	12,327
Special Education - Preschool Grants, Recovery Act	84.392	N/A	5,779
Career and Technical Education - Basic Grants to States	84.048	N/A	76,251
Twenty-first Century Community Learning Centers	84.287	N/A	248,103
Educational Technology State Grants Cluster:			
Educational Technology State Grants	84.318	N/A	1,375
Educational Technology State Grants, Recovery Act	84.386	N/A	1,775

(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	\$ 135,922
Improving Teacher Quality State Grants	84.367	N/A	300,278
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	184,658
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	N/A	41,127
Education Jobs Fund	84.410	N/A	11,524
Total U.S. Department of Education			\$ 3,424,045
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)	\$ 25,437
Total U.S. Department of Health and Human Services			\$ 25,437
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(2)	\$ 1,181,779
Emergency Management Performance Grants	97.042	(2)	29,300
Assistance to Firefighters Grant	97.044	(2)	3,138
Homeland Security Grant Program	97.067	(2)	85,814
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	(2)	41,373
Total U.S. Department of Homeland Security			\$ 1,341,404
Total Expenditures of Federal Awards			\$ 7,166,534
State Grants:			
		Contract Number	
Litter Program - State Department of Transportation	N/A	(2)	\$ 49,490
Volunteer Fire Assistance - State Department of Agriculture	N/A	(2)	2,875
Safe Schools - State Department of Education	N/A	(2)	15,741
Coordinated School Health - State Department of Education	N/A	(2)	100,000
Statewide Student Management System - State Department of Education	N/A	(2)	9,187
ACT/Explore - State Department of Education	N/A	(2)	4,088
Arts Student Ticket Subsidy - State Department of Education	N/A	(2)	2,440
ConnecTenn - State Department of Education	N/A	(2)	12,431
Recycling HUB Building Grant - State Department of Environment and Conservation	N/A	(2)	78,522
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	16,165
Early Childhood Education - State Department of Education	N/A	(2)	540,246
Energy Efficient School Initiative - State Department of Education	N/A	(2)	13,950
Total State Grants			\$ 845,135

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 \$1,118,173.

Hardin County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2012

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, 2011, which have not been corrected.

OFFICE OF HIGHWAY COMMISSIONER

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.03	196	Material audit adjustments were required for proper financial statement presentation
11.04	197	Expenditures exceeded appropriations

OFFICE OF DIRECTOR OF SCHOOLS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.05	197	Expenditures exceeded appropriations

OFFICE OF TRUSTEE

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.08	199	Multiple employees operated from the same cash drawer

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

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.09	200	Duties were not segregated adequately

HARDIN COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2012

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Hardin County is unqualified.
2. The audit of the financial statements of Hardin County disclosed significant deficiencies in internal control. Two of these deficiencies were considered to be material weaknesses.
3. The audit disclosed no instances of noncompliance that 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 Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children (CFDA Nos. 10.553, 10.555, and 10.559); Community Development Block Grants/State's Program (CFDA No. 14.228); 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); 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); and Improving Teacher Quality State Grants (CFDA No. 84.367) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Hardin County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The county mayor, highway commissioner, and the School Department's chief financial officer provided written responses on certain findings, which are paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

HARDIN COUNTY HIGHWAY DEPARTMENT AND HARDIN COUNTY SCHOOL DEPARTMENT

FINDING 12.01 **MATERIAL AUDIT ADJUSTMENTS WERE REQUIRED FOR PROPER FINANCIAL STATEMENT PRESENTATION**
(Internal Control – Material Weakness Under *Government Auditing Standards*)

At June 30, 2012, certain general ledger account balances in the Highway/Public Works and the School Department's Education Capital Projects funds 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 and the Hardin County School Department to have adequate internal controls over the maintenance of their accounting records. Material audit adjustments were required because the county's and the School Department's financial reporting systems 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 and the School Department have ineffective controls over the maintenance of their accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. 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 and the School Department should have appropriate processes in place to ensure that their general ledgers are materially correct.

MANAGEMENT'S RESPONSE – SCHOOL DEPARTMENT CHIEF FINANCIAL OFFICER

The material audit adjustment in the Education Capital Projects Fund resulted from a lapse in communication between the School Department and the general government. Better communication protocols will be used in the future.

OFFICE OF HIGHWAY COMMISSIONER

FINDING 12.02 **TWO EMPLOYEES RECEIVED UNAUTHORIZED COMPENSATION**
(Noncompliance Under *Government Auditing Standards*)

During the year, the Highway Department bookkeeper and the accounts payable clerk were overpaid \$400 and \$200, respectively, as a result of an unauthorized deposit to their personal Christmas club savings accounts. In July 2011, a \$600 journal entry was incorrectly posted to a payroll withholding account used for employee contributions to Christmas club savings. This account maintained a \$600 credit balance until a check for that amount was issued to Hardin County Bank on March 15, 2012. Auditors reviewed the Highway Department employees' personal Christmas club statements and were able to determine the \$600 check was deposited into the bookkeeper and accounts payable clerk's accounts. On November 15, 2012, the bookkeeper and accounts payable clerk repaid the \$600 to the Highway Department.

RECOMMENDATION

The Highway Commissioner should ensure that all payroll compensation is properly authorized and that withholding accounts are reconciled and monitored on a monthly basis.

MANAGEMENT'S RESPONSE – HIGHWAY COMMISSIONER

The journal entry was posted correctly to our knowledge with instructions given to us by Local Government Data Processing to move the last payroll of the fiscal year ending June 30, 2011, to the fiscal year ending June 30, 2012, because the office was closed for employee vacation. This created balances in the withholding accounts (voluntary and mandatory). The deposit made on March 15, 2012, was made due to the credit in the withholding accounts and thought to be correct. As soon as the error was discovered, the proper revisions were made. Management encourages responsibilities be delegated to specific office personnel.

FINDING 12.03 **EXPENDITURES EXCEEDED APPROPRIATIONS**
(Noncompliance Under *Government Auditing Standards*)

In two instances, salaries exceeded line-item appropriations in the Highway/Public Works Fund by \$966 and \$2,613. 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.

RECOMMENDATION

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

MANAGEMENT’S RESPONSE – HIGHWAY COMMISSIONER

These salaries were based on a 26-week fiscal year payroll but should have been based on 27 weeks for the fiscal year ending June 30, 2012.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 12.04 **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 Other Debt Service - Education major appropriation category (the legal level of control) of the General Purpose School Fund by \$16,277.

- B. Salaries exceeded line-item appropriations in the General Purpose School and School Federal Projects funds by amounts ranging from \$102 to \$24,199.

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. As always, we will continue to work on improving our internal monitoring of expenditures as they relate to the budget.

FINDING 12.05 **EMPLOYEES IMPROPERLY DISPOSED OF SCRAP METAL**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

On February 16, 2012, auditors received allegations concerning the removal of scrap metal from the bus garage by employees of the School Department. Employees admitted to the department’s chief financial officer and director of personnel that they had improperly disposed of scrap metal but denied selling it for personal gain. Auditors could not determine the value of the scrap metal or if any revenue had been received from its disposal. This disposal could have resulted in a loss of revenue to the School Department. Since this incident, the School Department has installed security cameras and a recycling bin at the bus garage and established procedures to monitor the disposal of scrap metal.

RECOMMENDATION

The School Department should maintain lists detailing items declared as scrap, items sold as scrap, and reconcile the sale proceeds from the recycler with amounts deposited with the county trustee.

MANAGEMENT’S RESPONSE – SCHOOL DEPARTMENT CHIEF FINANCIAL OFFICER

We feel that we have established sufficient controls over the disposal of scrap metal and this should not be an issue in the future.

OFFICE OF TRUSTEE

FINDING 12.06 **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 Office of Trustee. 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 official resulting in a loss of control over assets. Also, this deficiency is the result of management’s failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

The official should assign each employee their own cash drawer.

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

FINDING 12.07 **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, 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.

OFFICE OF ASSESSOR OF PROPERTY

FINDING 12.08 **NEW OWNERS OF GREENBELT PROPERTIES WERE NOT REQUIRED TO FILE A NEW APPLICATION FOR AGRICULTURAL PROPERTY**
(Noncompliance Under *Government Auditing Standards*)

New owners who purchased property that previously qualified as agricultural the year before were not required to file a new application for the greenbelt classification. Section 67-5-1005(a)(1), *Tennessee Code Annotated*, requires all new owners of property that qualified as agricultural the year before to reapply by March 1 in the year of transferring ownership. This deficiency can be attributed to the lack of management oversight. Hardin County could be deprived of tax revenues from property that did not qualify to receive a greenbelt exemption.

RECOMMENDATION

New owners of properties that qualified as agricultural should be required to file new greenbelt applications as required by state statute.

HARDIN COUNTY

FINDING 12.09 **HARDIN COUNTY HAS A MATERIAL RECURRING AUDIT FINDING**
(Internal Control – Material Weakness Under *Government Auditing Standards*)

Hardin County has a material audit finding that has been reported in its annual financial reports for three or more consecutive years. This recurring material finding is listed below:

<u>Finding Numbers</u>	<u>Description</u>
12.01, 11.03, 10.01	Material audit adjustments were required for proper financial statement presentation

The recurring nature of the above-noted finding indicates that management is either unwilling or unable to address the deficiency. The Local Government Modernization Act of 2005 in Section 9-3-405, *Tennessee Code Annotated (TCA)*, encourages local governments to consider establishing an Audit Committee and further provides that the Comptroller may require an Audit Committee be established in any local government that (1) is in noncompliance with the accounting and financial reporting standards required by the Governmental Accounting Standards Board, or (2) has recurring findings from the annual audit for three or more consecutive years as determined by the Comptroller to be a material weakness in internal control or material noncompliance under *Government Auditing Standards*. The responsibilities and duties of an Audit Committee are to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics.

RECOMMENDATION

Hardin County should establish an Audit Committee to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics. This Audit Committee should provide management with guidance to correct all reported material weaknesses in internal control and material noncompliance. If these findings continue to recur, Hardin County may be required to establish an Audit Committee under the provisions of Section 9-3-405, *TCA*.

BEST PRACTICE

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. The Division of Local Government Audit strongly believes that the adoption of a central system of accounting, budgeting, and purchasing is a best practice that would significantly improve accountability and the quality of services provided to the citizens of Hardin County. Therefore, 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.

**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, 2012**

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