

ANNUAL FINANCIAL REPORT
HENDERSON COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2005

**Comptroller of the Treasury
Department of Audit
Division of County Audit
Nashville, Tennessee**

ANNUAL FINANCIAL REPORT
HENDERSON COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2005

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

NORMAN R. NORMENT, CGFM
Audit Manager

HORACE B. WISEMAN, CGFM
Auditor 4

MELISSA A. DARBY, CPA, CFE
ELISHA CROWELL
State Auditors

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

TABLE OF CONTENTS

	Exhibit/Table	Page
Audit Highlights		i
<u>INTRODUCTORY SECTION</u>		
Henderson County Officials		1
<u>FINANCIAL SECTION</u>		
Independent Auditor's Report		5
BASIC FINANCIAL STATEMENTS:		
Government-wide Financial Statements:		
Statement of Net Assets	A	11
Statement of Activities	B	12
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	15
Statement of Revenues, Expenditures, and Changes in Fund Balances	D-1	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	D-2	17
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	E	18
Notes to the Financial Statements		19
REQUIRED SUPPLEMENTARY INFORMATION:		
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	F-1	53
Highway/Public Works Fund	F-2	57
Notes to the Required Supplementary Information		59

	Exhibit/Table	Page
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	G-1	65
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	G-2	66
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
Solid Waste/Sanitation Fund	G-3	67
Drug Control Fund	G-4	68
Rural Debt Service Fund	G-5	69
Major Governmental Fund:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	H	73
Fiduciary Funds:		
Combining Statement of Fiduciary Assets and Liabilities	I-1	77
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	I-2	78
Component Unit:		
Discretely Presented Henderson County School Department:		
Statement of Activities	J-1	81
Balance Sheet – Governmental Funds	J-2	82
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	J-3	83
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	J-4	84
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	J-5	85
Combining Balance Sheet – Nonmajor Governmental Funds	J-6	86
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	J-7	87
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	J-8	88
School Federal Projects Fund	J-9	91
School Transportation Fund	J-10	93

	Exhibit/Table	Page
Miscellaneous Schedules:		
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds – Primary Government and Discretely Presented Henderson County School Department	K-1	97
Schedule of Bond and Interest Requirements by Year	K-2	99
Schedule of Transfers – All Funds and Discretely Presented Henderson County School Department	K-3	100
Schedule of Salaries and Official Bonds of Principal Officials	K-4	101
Schedule of Detailed Revenues – All Governmental Fund Types	K-5	102
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Henderson County School Department	K-6	105
Schedule of Detailed Expenditures – All Governmental Fund Types	K-7	106
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Henderson County School Department	K-8	127
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balances - City Agency Funds	K-9	138

STATISTICAL SECTION

Uncollected Taxes Filed in Chancery Court	1	141
Tax Rates and Assessments - Last Ten Years	2	142

SINGLE AUDIT SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>		145
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>		147
Schedule of Expenditures of Federal Awards and State Grants		149
Schedule of Audit Findings Not Corrected		151
Schedule of Findings and Questioned Costs		153
Auditee Reporting Responsibilities		161

Audit Highlights

Annual Financial Report
Henderson County, Tennessee
For the Year Ended June 30, 2005

Scope

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henderson County as of and for the year ended June 30, 2005.

Results

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

Our audit resulted in 13 findings and recommendations, which we have reviewed with Henderson County management. Detailed findings, recommendations, and management's response are included in the Single Audit Section of this report.

Findings

The following are summaries of the audit findings:

OFFICE OF FINANCE DIRECTOR

- ◆ The General Fund had a fund deficit of \$38,833 on June 30, 2005.
 - ◆ Expenditures exceeded appropriations approved by the County Commission at the major category level of control (legal level of control) in the General, General Debt Service and General Purpose School Funds.
 - ◆ In a prior audit period, the former Henderson County sheriff agreed to reimburse the county for his overpaid salary, and a former employee of the Henderson County Mayor's Office agreed to reimburse the county for improper payments for unused vacation and sick leave. Both the sheriff and the county mayor's employee were delinquent in their payments by \$473.92 and \$3,541.89, respectively.
 - ◆ The office did not issue purchase orders for some purchases, and in some instances, purchase orders were issued after the purchases were made.
 - ◆ Written guidelines governing the use of credit cards had not been adopted.
-

OFFICE OF ROAD SUPERVISOR

- ◆ The Road Department did not have a system to account for materials used on some types of road projects.
-

OFFICE OF COUNTY CLERK

- ◆ The clerk did not report and pay excess fees to the county in compliance with state statute.
-

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ The courts' execution docket trial balances did not reconcile with cash journal accounts.
 - ◆ The clerk did not report and pay excess fees to the county in compliance with state statute.
 - ◆ Sufficient user documentation for the office's computer software was not maintained.
-

OFFICE OF CLERK AND MASTER

- ◆ The clerk did not report and pay excess fees to the county in compliance with state statute.
-

OTHER FINDINGS

- ◆ The designated situs-based taxes collected were not adequate to fund rural fire protection.
- ◆ Duties were not segregated adequately among the officials and employees in the Offices of County Clerk, Juvenile Court Clerk, and Sheriff.

*State of Tennessee
Comptroller of the Treasury
Department of Audit
Division of County Audit*

INTRODUCTORY SECTION

Henderson County Officials

June 30, 2005

Officials:

Dennis Ray McDaniel, County Mayor
Harold Hensley, Road Supervisor
Susan Bunch, Director of Schools
David Frizzell, Trustee
Danny Garner, Assessor of Property
Carolyn Holmes, County Clerk
Kenny Cavness, Circuit, General Sessions, and Juvenile Courts Clerk
Leigh J. Milam, Clerk and Master
Denny H. Phillips, Register
Ricky D. Lunsford, Sheriff
Ann Grant, Finance Director

Board of County Commissioners:

Dennis Ray McDaniel, Chairman	Roy Lee Maness
Dan Hughes, Chairman Pro Tempore	Wanda Powers
Waylon Buck	Timothy Rogers
Steve Crownover	Terry Stewart
Johnny L. Fesmire	Tony Walker
Jimmy Gourley	Judith Willis
Jimmy Grissom	Aaron Wood
Lutie Houston	

Budget Committee:

Dan Hughes, Chairman	Terry Stewart
Waylon Buck	Judith Willis
Steve Crownover	Aaron Wood
Jimmy Grissom	

Board of Education:

Dr. Reggie Henderson, Chairman
Jim Grant
Bobby Harrington
McCall Lewis
Dale Robbins
Gary Wilkinson
John Wood

Finance Committee:

Timothy Rogers, Chairman
Susan Bunch
Jimmy Gourley
Harold Hensley
Dennis Ray McDaniel
Tony Walker
Judith Willis

FINANCIAL SECTION



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
PHONE (615) 401-7841**

INDEPENDENT AUDITOR'S REPORT

October 26, 2005

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henderson County, Tennessee, as of and for the year ended June 30, 2005, which collectively comprise Henderson County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Henderson County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements of the Henderson County Emergency Communications District, a component unit requiring discrete presentation, had not been made available by other auditors as of the date of this report. Accordingly, the aggregate discretely presented component unit's financial statements referred to above do not include amounts for the Henderson County Emergency Communications District, which should be included to conform to accounting principles generally accepted in the United States of America. The

effects on the financial statements of the aggregate discretely presented component units is not reasonably determinable.

In our opinion, except for the effects of not including the financial statements of the Henderson County Emergency Communications District as discussed above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component units of Henderson County, Tennessee, as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Henderson County, Tennessee, as of June 30, 2005, and the respective changes in financial position, 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 October 26, 2005, on our consideration of Henderson County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note V.B., Henderson County has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures, which modifies the county's disclosures for custodial credit risk and adds disclosures about other types of risk.

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

The budgetary comparison information on pages 53 through 59 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Henderson County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund,

combining and individual fund financial statements of the Henderson County School Department (a discretely presented component unit), miscellaneous schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Henderson County School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/rd

BASIC FINANCIAL STATEMENTS

Exhibit A

Henderson County, Tennessee
Statement of Net Assets
June 30, 2005

	<u>Primary Government</u>	<u>Component Unit</u>
	Governmental Activities	Henderson County School Department
<u>ASSETS</u>		
Cash	\$ 427,697	\$ 0
Equity in Pooled Cash and Investments	7,431,676	1,961,594
Accounts Receivable	55,781	976
Due from Other Governments	471,163	543,277
Due from Component Units	91,258	0
Due from Primary Government	0	99,015
Property Taxes Receivable	4,540,813	2,268,855
Allowance for Uncollectible Property Taxes	(145,268)	(85,030)
Accrued Interest Receivable	4,781	0
Deferred Charges - Debt Issuance Costs	211,326	0
Capital Assets:		
Assets Not Depreciated:		
Land	2,133,209	554,161
Construction in Progress	0	1,362,728
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	357,371	18,944,514
Infrastructure	1,145,119	0
Other Capital Assets	1,963,557	364,935
Total Assets	<u>\$ 18,688,483</u>	<u>\$ 26,015,025</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 1,650,452	\$ 10,325
Payroll Deductions Payable	190	0
Contracts Payable	0	63,072
Accrued Interest Payable	187,470	0
Due to Component Unit	99,015	0
Due to Primary Government	0	91,258
Due to State of Tennessee	6,354	0
Other Payables from Restricted Assets	3,731	0
Deferred Revenue - Current Property Taxes	4,238,526	2,090,750
Noncurrent Liabilities:		
Due Within One Year (net of deferred amount on refunding)	1,928,926	57,259
Due In More Than One Year (net of deferred amount on refunding and amortized premium on debt)	25,397,095	0
Total Liabilities	<u>\$ 33,511,759</u>	<u>\$ 2,312,664</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 3,033,269	\$ 21,169,079
Restricted for:		
Capital Projects	128,000	775,797
Debt Service	5,448,083	0
Other Purposes	971,674	297,726
Unrestricted	<u>(24,404,302)</u>	<u>1,459,759</u>
Total Net Assets	<u>\$ (14,823,276)</u>	<u>\$ 23,702,361</u>

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

Exhibit B

Henderson County, Tennessee
Statement of Activities
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Total Governmental Activities	Henderson County School Department
Primary Government:						
Governmental Activities:						
General Government	\$ 522,678	\$ 166,626	\$ 16,922	\$ 0	\$ (339,130)	\$ 0
Finance	859,423	511,196	19,744	0	(328,483)	0
Administration of Justice	779,700	880,603	9,405	0	110,308	0
Public Safety	2,924,086	396,145	463,287	0	(2,064,654)	0
Public Health and Welfare	518,510	23,179	78,289	0	(417,042)	0
Social, Cultural and Recreational Services	590,676	0	516,509	0	(74,167)	0
Agriculture & Natural Resources	82,603	0	0	0	(82,603)	0
Other Operations	284,757	0	0	0	(284,757)	0
Highways/Public Works	1,911,495	0	1,785,320	157,557	31,382	0
Education (Payment to Component Unit)	791,018	0	0	0	(791,018)	0
Interest on Long-term Debt	1,192,052	0	0	0	(1,192,052)	0
Other Debt Service	101,912	0	288,708	0	186,796	0
Total Primary Government	\$ 10,558,910	\$ 1,977,749	\$ 3,178,184	\$ 157,557	\$ (5,245,420)	\$ 0
Component Unit:						
Henderson County School Department	\$ 21,755,805	\$ 82,241	\$ 2,819,347	\$ 660,700	\$ 0	\$ (18,193,517)
Total Component Unit	\$ 21,755,805	\$ 82,241	\$ 2,819,347	\$ 660,700	\$ 0	\$ (18,193,517)

(Continued)

Exhibit B

Henderson County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Total Governmental Activities	Component Unit Henderson County School Department
General Revenues:						
Taxes:						
Property taxes levied for general purposes					\$ 2,496,873	\$ 2,544,703
Property taxes levied for debt service					1,819,421	0
Local option sales tax					540,313	2,080,586
Other local taxes					548,858	341,951
Grants & Contributions not restricted for specific programs					188,328	13,359,311
Unrestricted Investment Earnings					115,993	0
Miscellaneous					27,562	2,642
Sale of Land/Equipment					8,650	0
Total General Revenues					<u>\$ 5,745,998</u>	<u>\$ 18,329,193</u>
Change in net assets					\$ 500,578	\$ 135,676
Net assets, July 1, 2004					<u>(15,323,854)</u>	<u>23,566,685</u>
Net assets, June 30, 2005					<u>\$ (14,823,276)</u>	<u>\$ 23,702,361</u>

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

Exhibit C-1

Henderson County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2005

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 427,697	\$ 427,697
Equity in Pooled Cash and Investments	132,160	448,514	6,025,715	825,287	7,431,676
Accounts Receivable	26,836	37	465	28,443	55,781
Due from Other Governments	64,536	311,723	0	94,904	471,163
Due from Other Funds	306	0	14,729	3,724	18,759
Due from Component Units	0	0	0	91,258	91,258
Property Taxes Receivable	2,678,559	166,180	1,396,950	299,124	4,540,813
Allowance for Uncollectible Property Taxes	(78,106)	(5,093)	(52,902)	(9,167)	(145,268)
Accrued Interest Receivable	0	0	4,781	0	4,781
Total Assets	\$ 2,824,291	\$ 921,361	\$ 7,389,738	\$ 1,761,270	\$ 12,896,660
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 0	\$ 0	\$ 1,650,452	\$ 0	\$ 1,650,452
Payroll Deductions Payable	190	0	0	0	190
Due to Other Funds	14,729	0	3,724	306	18,759
Due to Component Units	0	0	99,015	0	99,015
Due to State of Tennessee	6,354	0	0	0	6,354
Current Liabilities Payable from Restricted Assets:					
Other Payables from Restricted Assets	3,731	0	0	0	3,731
Deferred Revenue - Current Property Taxes	2,524,416	155,828	1,277,791	280,491	4,238,526
Deferred Revenue - Delinquent Property Taxes	68,919	4,767	60,054	8,580	142,320
Other Deferred Revenues	59,898	155,911	0	43,045	258,854
Total Liabilities	\$ 2,678,237	\$ 316,506	\$ 3,091,036	\$ 332,422	\$ 6,418,201
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 45,131	\$ 0	\$ 0	\$ 7,431	\$ 52,562
Reserved for Alcohol and Drug Treatment	59,619	0	0	0	59,619
Reserved for Sexual Offender Registration	780	0	0	0	780
Reserved for Computer System - Register	42,006	0	0	0	42,006
Reserved for Automation Purposes - Sheriff	6,625	0	0	0	6,625
Reserved for Capital Outlay	726	0	0	0	726
Reserved for Other General Purposes	30,000	0	0	0	30,000
Unreserved, Reported In:					
General Fund (Deficit)	(38,833)	0	0	0	(38,833)
Special Revenue Funds	0	604,855	0	513,427	1,118,282
Debt Service Funds	0	0	4,298,702	779,990	5,078,692
Capital Projects Funds	0	0	0	128,000	128,000
Total Fund Balances	\$ 146,054	\$ 604,855	\$ 4,298,702	\$ 1,428,848	\$ 6,478,459
Total Liabilities and Fund Balances	\$ 2,824,291	\$ 921,361	\$ 7,389,738	\$ 1,761,270	\$ 12,896,660

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

Exhibit C-2

Henderson County, Tennessee

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

June 30, 2005

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)	\$ 6,478,459
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	5,599,256
(2) Long-term liabilities are not due in the current period and therefore are not reported in the funds.	(27,302,165)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	<u>401,174</u>
Net assets of governmental activities (Exhibit A)	<u>\$ (14,823,276)</u>

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

Exhibit D-1

Henderson County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 2,775,113	\$ 151,882	\$ 1,910,213	\$ 755,057	\$ 5,592,265
Licenses and Permits	1,235	0	0	0	1,235
Fines, Forfeitures and Penalties	182,527	0	0	119,124	301,651
Charges for Current Services	54,822	0	0	827,933	882,755
Other Local Revenues	69,980	4,158	72,740	38,688	185,566
Fees Received from County Officials	417,072	0	0	0	417,072
State of Tennessee	401,367	1,938,337	0	19,567	2,359,271
Federal Government	915,903	0	0	0	915,903
Other Governments and Citizens Groups	209,374	0	0	288,708	498,082
Total Revenues	\$ 5,027,393	\$ 2,094,377	\$ 1,982,953	\$ 2,049,077	\$ 11,153,800
<u>Expenditures</u>					
Current:					
General Government	\$ 484,663	\$ 0	\$ 0	\$ 0	\$ 484,663
Finance	494,522	0	0	298,134	792,656
Administration of Justice	218,060	0	0	489,525	707,585
Public Safety	2,650,086	0	0	102,196	2,752,282
Public Health and Welfare	151,628	0	0	441,345	592,973
Social, Cultural, and Recreational Services	74,167	0	0	0	74,167
Agricultural and Natural Resources	81,845	0	0	0	81,845
Other Operations	1,169,756	0	0	0	1,169,756
Highways	0	2,159,025	0	0	2,159,025
Debt Service:					
Principal	45,000	0	1,585,000	380,000	2,010,000
Interest	27,659	0	897,156	302,108	1,226,923
Other Debt Service	0	0	57,339	5,831	63,170
Capital Projects	0	0	0	791,018	791,018
Total Expenditures	\$ 5,397,386	\$ 2,159,025	\$ 2,539,495	\$ 2,810,157	\$ 12,906,063
Excess (Deficiency) of Revenues Over Expenditures	\$ (369,993)	\$ (64,648)	\$ (556,542)	\$ (761,080)	\$ (1,752,263)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 314,158	\$ 0	\$ 1,628,982	\$ 791,018	\$ 2,734,158
Transfers In	0	0	0	128,000	128,000
Transfers Out	(128,000)	0	0	0	(128,000)
Payments to Refunded Debt Escrow Agent	0	0	(1,650,452)	0	(1,650,452)
Total Other Financing Sources (Uses)	\$ 186,158	\$ 0	\$ (21,470)	\$ 919,018	\$ 1,083,706
Net Change in Fund Balances	\$ (183,835)	\$ (64,648)	\$ (578,012)	\$ 157,938	\$ (668,557)
Fund Balance, July 1, 2004	329,889	669,503	4,876,714	1,270,910	7,147,016
Fund Balance, June 30, 2005	\$ 146,054	\$ 604,855	\$ 4,298,702	\$ 1,428,848	\$ 6,478,459

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

Exhibit D-2

Henderson 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, 2005

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

Net change in fund balances - total governmental funds (Exhibit D-1)	\$ (668,557)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	367,576
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.	(12,526)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(92,237)
(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	856,212
(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 governmental funds.	<u>50,110</u>
Change in net assets of governmental activities (Exhibit B)	<u>\$ 500,578</u>

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

Exhibit E

Henderson County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2005

	<u>Agency Funds</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 212,785
Cash	1,727,283
Accounts Receivable	119
Due from Other Governments	590,862
Taxes Receivable	387,955
Allowance for Uncollectible Taxes	<u>(15,627)</u>
Total Assets	<u>\$ 2,903,377</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 1,176,094
Due to Litigants, Heirs, and Others	<u>1,727,283</u>
Total Liabilities	<u>\$ 2,903,377</u>

The accompanying notes are an integral part of this statement.

HENDERSON COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Henderson 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 Henderson County:

A. Reporting Entity

Henderson County is a public municipal corporation governed by an elected 14-member board. As required by GAAP, these financial statements present Henderson County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

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

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

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

Administrative Office:

Henderson County Emergency Communications District
35 East Wilson Street
Lexington, TN 38351

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. 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. However, the primary government of Henderson County does not have any business-type activities to report. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Henderson 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.

Henderson County issues all debt for the discretely presented Henderson County School Department. Net debt issues (\$660,700) were contributed by the county to the School Department during the year ended June 30, 2005.

Separate financial statements are provided for governmental funds and fiduciary funds. The fiduciary funds are excluded from the government-wide

financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary fund financial statements. 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 Henderson 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. Funds are organized into three major categories: governmental, proprietary, and fiduciary; however, Henderson County has no proprietary funds to report. An emphasis is placed on major funds within the governmental category. Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. The fiduciary funds in total are reported in a single column.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Henderson County considers grant 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.

Fiduciary fund financial statements are reported using the economic resources 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.

Henderson County reports the following major governmental funds:

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

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

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

Additionally, Henderson County reports the following fund types:

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

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received by the state to be forwarded to the various cities in Henderson County, and the city school system’s share of educational revenues. 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 Henderson 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 accounts for general operations of the School Department.

School Transportation Fund – This fund accounts for the transportation of students in the county.

Education Capital Projects Fund – This fund accounts for the receipt of debt issued by Henderson County and contributed to the School Department for building construction and renovations.

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.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

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

2. Receivables and Payables

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.7 percent of total taxes levied.

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

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

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

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

3. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column 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 (infrastructure \$40,000) and an estimated useful life of more than five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	25
Other Capital Assets	5-15
Infrastructure:	
Roads	10-20
Bridges	15-30

Henderson County has recognized infrastructure assets acquired after July 1, 2002, in the financial statements of this report, and plans to retroactively report infrastructure assets acquired between July 1, 1980, and June 30, 2002, by the fiscal year ending June 30, 2007.

4. Compensated Absences

Henderson County permits employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since Henderson County does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide statements for the county. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

5. Long-term Obligations

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

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

As of June 30, 2005, Henderson County had \$25,065,617 in outstanding debt issued for capital purposes of the discretely presented Henderson County School Department. In accordance with state statutes, certain county school debt proceeds must be shared with other public school systems in the county (City of Lexington School System) based on an average daily attendance proration. This debt is a liability of Henderson County, but the capital assets acquired are reported in the financial statements of the Henderson County School Department and the City of Lexington School System. Therefore, Henderson County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The following table reflects designations on June 30, 2005:

<u>Fund/Purpose</u>	<u>Amount</u>
General:	
Tourism	\$ 171,632
Industrial Development	122,173

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 presents a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including debt payable, are not due and payable in the current period and therefore are not reported in the funds. The details of the \$27,302,165 difference are as follows:

Bonds payable	\$ (23,325,000)
Deferred charges - issuance costs (to be amortized over life of debt)	211,326
Deferred amount on refunding	440,753
Accrued interest payable	(187,470)
Notes payable	(4,312,492)
Compensated absences payable	(71,541)
Landfill closure/postclosure care costs	<u>(57,741)</u>
 Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	 <u><u>\$ (27,302,165)</u></u>

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 D-2 presents a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$367,576 difference are as follows:

Capital outlay	\$ 781,894
Depreciation expense	<u>(414,318)</u>
 Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	 <u><u>\$ 367,576</u></u>

Another element of that reconciliation states that the issuance of long-term debt (e.g., bonds, notes, and 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. The details of this \$856,212 difference are as follows:

Debt issued or incurred:	
Issuance of capital outlay notes	\$ (1,114,158)
Issuance of refunding capital outlay notes	(1,620,000)
Related items:	
Deferred debt issuance costs	1,759
Deferred amount on refunding	(36,389)
Principal repayments:	
Bonds	955,000
Notes	1,055,000
Refunding bonds	<u>1,615,000</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 856,212</u>

Another element of that reconciliation states that some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The details of this \$50,110 difference are as follows:

Net change in accrued interest on notes	\$ 15,127
Net change in accrued interest on bonds	51,084
Net change in closure/postclosure care costs	3,064
Net change in accrued compensated absences	<u>(19,165)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 50,110</u>

Discretely Presented Henderson County School Department

The discretely presented Henderson County School Department's Exhibit J-5 presents a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that

reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$1,447,425 difference are as follows:

Capital outlay	\$	2,610,221
Depreciation expense		<u>(1,162,796)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities		<u><u>\$ 1,447,425</u></u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Fund Deficit

The General Fund had a fund deficit of \$38,833 at June 30, 2005. This fund deficit resulted from expenditures exceeding available funds. This fund deficit should be liquidated as additional local funding is received.

B. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the following major appropriation categories (the legal level of control) of the following funds:

Fund	Major Appropriation Category	Amount
General	Sheriff's Department	\$ 2,929
"	Workhouse	53,960
"	County Coroner/Medical Examiner	16,102
"	Principal - General Government	45,000
"	Interest - General Government	27,659
General Debt Service	Other Debt Service - Education	13,125
General Purpose School	Board of Education	5,394
"	Operation of Plant	1,360

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

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk exposure.

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

Investments

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

Investment Balances. As of June 30, 2005, Henderson County had the following investments carried at fair value or cost. All investments are in the

county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Henderson County and the discretely presented Henderson County School Department since both pool their deposits and investments through the county trustee.

Investment	Maturities	Fair Value or Cost
State Treasurer's Investment Pool	Daily	\$ 5,204,489

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

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the rating of certain investments as previously explained. Henderson County has no investment policy that would further limit its investment choices. As of June 30, 2005, Henderson County's investment in the State Treasurer's Investment Pool was unrated.

B. Capital Assets

Capital asset activity for the year ended June 30, 2005, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
Capital Assets Not Depreciated:				
Land	\$ 2,133,209	\$ 0	\$ 0	\$ 2,133,209
Total Capital Assets Not Depreciated	\$ 2,133,209	\$ 0	\$ 0	\$ 2,133,209

Governmental Activities (Cont.)

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
Capital Assets Depreciated:				
Buildings and Improvements	\$ 1,997,126	\$ 0	\$ 0	\$ 1,997,126
Infrastructure	886,289	362,809	0	1,249,098
Other Capital Assets	3,832,371	419,085	41,710	4,209,746
Total Capital Assets Depreciated	\$ 6,715,786	\$ 781,894	\$ 41,710	\$ 7,455,970
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,607,711	\$ 32,044	\$ 0	\$ 1,639,755
Infrastructure	34,948	69,031	0	103,979
Other Capital Assets	1,962,130	313,243	29,184	2,246,189
Total Accumulated Depreciation	\$ 3,604,789	\$ 414,318	\$ 29,184	\$ 3,989,923
Total Capital Assets Depreciated, Net	\$ 3,110,997	\$ 367,576	\$ 12,526	\$ 3,466,047
Governmental Activities Capital Assets, Net	\$ 5,244,206	\$ 367,576	\$ 12,526	\$ 5,599,256

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

Governmental Activities:

Public Safety	\$ 233,400
Public Health and Welfare	38,427
Highways	<u>142,491</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 414,318</u></u>

Discretely Presented Henderson County School Department

Governmental Activities:

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
Capital Assets Not Depreciated:				
Land	\$ 547,161	\$ 7,000	\$ 0	\$ 554,161
Construction in Progress	164,816	1,362,728	164,816	1,362,728
Total Capital Assets Not Depreciated	\$ 711,977	\$ 1,369,728	\$ 164,816	\$ 1,916,889
Capital Assets Depreciated:				
Buildings and Improvements	\$ 32,539,723	\$ 1,136,553	\$ 0	\$ 33,676,276
Other Capital Assets	275,875	268,756	28,000	516,631
Total Capital Assets Depreciated	\$ 32,815,598	\$ 1,405,309	\$ 28,000	\$ 34,192,907
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 13,592,825	\$ 1,138,937	\$ 0	\$ 14,731,762
Other Capital Assets	137,793	23,859	9,956	151,696
Total Accumulated Depreciation	\$ 13,730,618	\$ 1,162,796	\$ 9,956	\$ 14,883,458
Total Capital Assets Depreciated, Net	\$ 19,084,981	\$ 242,513	\$ 18,044	\$ 19,309,450
Governmental Activities Capital Assets, Net	\$ 19,796,958	\$ 1,612,241	\$ 182,860	\$ 21,226,339

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

Governmental Activities:

Instruction	\$ 1,070,742
Support Services	43,598
Operation of Non-instructional Services	<u>48,456</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 1,162,796</u></u>

C. Construction Commitments

At June 30, 2005, the Education Capital Projects Fund and the Other Capital Projects Fund had uncompleted construction contracts of \$405,039 and \$111,571, respectively, for the construction and renovation of school buildings. Funding has been received for these future expenditures.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2005, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 306
General Debt Service	General	14,729
Nonmajor governmental	General Debt Service	3,724

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

Due to/from primary government and component units:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary government: Nonmajor governmental	Component unit: School Department	\$ 91,258
Component unit: School Department	Primary government: General Debt Service	99,015

Interfund Transfers:

Interfund transfers for the year ended June 30, 2005, consisted of the following amounts:

Primary Government

	<u>Transfer In</u>
	General Capital Projects Fund
<u>Transfer Out</u>	
General Fund	\$ 128,000
Total	<u>\$ 128,000</u>

Discretely Presented Henderson County School Department

	<u>Transfer In</u>
	General Purpose School Fund
<u>Transfer Out</u>	
Nonmajor governmental funds	\$ 5,907
Total	<u>\$ 5,907</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.

E. Capital Leases

On July 1, 1999, the School Department entered into a seven-year lease-purchase agreement for heating and cooling equipment. The terms of the agreement require total lease payments of \$492,199 plus interest at 5.22 percent. Title to the equipment transfers to the School Department at the end of the lease period. The lease payments are made by the General Purpose School Fund.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2005, were as follows:

	<u>Governmental Funds</u>
2005-06	\$ 58,387
Total Minimum Lease Payments	\$ 58,387
Amounts Representing Interest	<u>(1,128)</u>
Present Value of Minimum Lease Payments	<u>\$ 57,259</u>

F. Long-term Debt

Primary Government

General Obligation Bonds and Notes

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 20 years for bonds and up to 12 years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and notes included in long-term debt as of June 30, 2005, will be retired from the General Debt Service Fund and the Rural Debt Service Fund with the exception of notes totaling \$364,158 which are to be retired from the General Fund.

General obligation bonds and capital outlay notes outstanding as of June 30, 2005, are as follows:

Type	Interest Rate	Original Amount of Issue	Amount
General Obligation Bonds	2 to 6%	\$ 25,060,000	\$ 10,130,000
General Obligation Bonds - Refunding	2 to 5	15,380,000	13,195,000
Capital Outlay Notes	2 to 5.45	5,230,000	2,692,492
Capital Outlay Notes - Refunding	3.2 to 3.95	1,620,000	1,620,000

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2005, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2006	\$ 940,000	\$ 992,963	\$ 914,385	\$ 142,632
2007	990,000	952,015	817,387	125,396
2008	1,180,000	908,929	675,720	97,988
2009	1,280,000	856,287	500,000	73,959
2010	1,550,000	802,619	230,000	55,818
2011-2015	9,780,000	2,933,319	1,000,000	139,512
2016-2020	6,385,000	877,611	175,000	10,600
2021-2024	1,220,000	131,943	0	0
Total	<u>\$ 23,325,000</u>	<u>\$ 8,455,686</u>	<u>\$ 4,312,492</u>	<u>\$ 645,905</u>

There is \$5,078,692 available in the debt service funds to service long-term debt. General bonded debt per capita amounted to \$914, based on the 2000 federal census. Total debt per capita, including bonds and notes, amounted to \$1,083, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability for the year ended June 30, 2005, was as follows:

Governmental Activities:

	<u>Bonds</u>	<u>Notes</u>
Balance, July 1, 2004	\$ 24,280,000	\$ 4,248,334
Additions	0	2,734,158
Deductions	<u>(955,000)</u>	<u>(2,670,000)</u>
Balance, June 30, 2005	<u>\$ 23,325,000</u>	<u>\$ 4,312,492</u>
Balance Due Within One Year	<u>\$ 940,000</u>	<u>\$ 914,385</u>

	<u>Compensated Absences</u>	<u>Landfill Closure/ Postclosure Care Costs</u>
Balance, July 1, 2004	\$ 52,376	\$ 60,805
Additions	103,204	0
Deductions	<u>(84,039)</u>	<u>(3,064)</u>
Balance, June 30, 2005	<u>\$ 71,541</u>	<u>\$ 57,741</u>
Balance Due Within One Year	<u>\$ 71,541</u>	<u>\$ 3,000</u>

Analysis of noncurrent liabilities presented on Exhibit A:

Total noncurrent liabilities, June 30, 2005	\$ 27,766,774
Less: Balance due within one year	(1,928,926)
Less: Deferred amount on refunding	<u>(440,753)</u>
Noncurrent liabilities - due in more than one year - Exhibit A	<u>\$ 25,397,095</u>

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

Current Refunding

On June 30, 2005, Henderson County advance refunded a portion of two general obligation capital outlay notes and fully refunded another capital outlay note with separate general obligation capital outlay note issues. Henderson County paid \$30,542 in addition to the general obligation refunding capital outlay notes to the refunding agent. As a result, the refunded notes are considered defeased, and the liability has been removed from the county's long-term debt. As a result of the current refunding, total debt service payments over the next eight years will be reduced by \$108,915 and an economic gain (difference between the present value of the debt service payments of the refunded and refunding notes) of \$72,932 was obtained.

Defeasance of Prior Debt

In prior years, Henderson County defeased certain outstanding general obligation bonds by placing the proceeds of the new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds. The trustee is empowered and required to pay all principal and interest on the defeased bonds as originally scheduled. Accordingly, the trust accounts and the defeased bonds are not included in the county's financial statements. At June 30, 2005, the following outstanding bonds are considered defeased:

High School Bonds, Series 1997 \$7,950,000

Discretely Presented Henderson County School Department

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Henderson County School Department for the year ended June 30, 2005, was as follows:

Governmental Activities:

	<u>Capital Leases</u>
Balance, July 1, 2004	\$ 139,503
Deductions	<u>(82,244)</u>
Balance, June 30, 2005	<u>\$ 57,259</u>
Balance Due Within One Year	<u>\$ 57,259</u>

G. Short-term Debt

Henderson County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund (\$900,000) and the discretely presented School Department's School Transportation Fund (\$200,000). These notes were necessary because funds were not available for operating expenses coming due before current tax collections. Short-term debt activity for the year ended June 30, 2005, was as follows:

	Balance 7-1-04	Issued	Redeemed	Balance 6-30-05
Tax Anticipation Notes	\$ 0	\$ 1,100,000	\$ (1,100,000)	\$ 0

V. OTHER INFORMATION

A. Risk Management

Primary Government

Henderson County

Employee Health Insurance

Henderson 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 were established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated (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.

Workers' Compensation Insurance

Henderson County participates in the Local Government Workers' Compensation Fund (LGWCF), a public entity risk pool established under the provisions of Section 29-20-401, 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 reinsures through commercial insurance companies for claims exceeding \$300,000.

Liability, Property, and Casualty

Henderson 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.

Discretely Presented Henderson County School Department

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

The School Department joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the School Boards Association, an association of member school boards. The School Department pays annual premiums to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of TSB-RMT provides for it to be self-sustaining through member premiums. The TSB-RMT reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

B. Accounting Change

During the year, Henderson County adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the county's previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

C. Subsequent Event

Subsequent to June 30, 2005, Henderson County issued revenue anticipation notes to provide funds to meet anticipated expenditures of the General Fund

(\$1,000,000) and the Solid Waste/Sanitation Fund (\$100,000). These funds were borrowed from the General Debt Service Fund at zero percent interest with repayment to be made by June 30, 2006.

D. Contingent Liabilities

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

E. Landfill Closure/Postclosure Care Costs

The City of Lexington-Henderson County Landfill is jointly owned by the City of Lexington and Henderson County. The City of Lexington operated the landfill and is responsible for its closure and postclosure care costs. State and federal laws and regulations require the City of Lexington to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The landfill reached its capacity and was closed in May 1996. Henderson County paid 50 percent of the closure costs and has contractually agreed to pay 50 percent of the postclosure care costs. Henderson County's portion of the postclosure care costs for the year amounted to \$3,064. Future postclosure care costs are estimated to be \$115,482. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The \$57,741 reported as Accrued Liability for Landfill Postclosure Care Costs in Henderson County's financial statements at June 30, 2005, represents 50 percent of the remaining estimated costs for future postclosure care functions.

F. Joint Ventures

The Henderson County/Lexington Indigent Care Trust Fund was created by Henderson County and the City of Lexington and is governed by the Board of Trustees. The Board of Trustees comprises three members, two of whom are appointed by the Henderson County Commission. The City of Lexington's Board of City Aldermen and mayor appoint the remaining member. The hospital administrator of the Henderson County Community Hospital serves as an ex-officio nonvoting member. Henderson County and the City of Lexington have contributed monies to the Indigent Care Trust Fund. In accordance with the Indigent Care Trust Agreement, the city and county will not be responsible for any additional deposits to the Indigent Care Trust Fund. The trust fund will satisfy in full any obligations of the county and city for indigent care. The trust funds will be invested until September 2007 and the income from the trust fund will be available for payment solely to the hospital for treatment rendered to indigent patients from the hospital service area. Payments to the hospital from the trust fund shall be made semi-annually following the receipt by the trustees of a statement depicting the

amount of care rendered by the hospital to indigent patients. The balance remaining in the trust fund in September 2007 shall be available to the hospital for treatment rendered to indigent patients and payments to the hospital shall be made from both principal and interest but shall not exceed \$270,000 in a year until the trust fund is exhausted. Complete financial statements for the Indigent Care Trust Fund can be obtained from the Henderson County Community Hospital's administrative office at the following address:

Henderson County Community Hospital
200 West Church Street
Lexington, TN 38351

The Beech River Regional Airport was established through a joint operations agreement between Decatur County, Henderson County, the City of Parsons, and the City of Lexington. The agreement created the Beech River Regional Airport Board to plan, develop, and maintain a regional airport that will economically benefit all residents of the two county areas. The board comprises nine members, two from each governmental unit and one appointed by the governmental entities on a one-year rotation basis. Each participant retains a 25 percent ownership in the airport; however, participants do not retain an equity interest in the airport. During the year ended June 30, 2005, the county appropriated an operating subsidy of \$150,000 to the airport. Complete financial statements for the airport can be obtained from its administrative office at the following address:

Beech River Regional Airport
790 Hidden Hill Circle
Lexington, TN 38351

G. Retirement Commitments

Plan Description

County Officials

Employees of Henderson 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 ten 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 ten 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 Henderson 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 www.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

General County Employees

Employees of Henderson 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 Henderson 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 Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

Funding Policy

County Officials

Henderson County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 7.69 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Henderson County is established and may be amended by the TCRS Board of Trustees.

General County Employees

Henderson County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 9.66 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Henderson County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

County Officials

For the year ended June 30, 2005, Henderson County's annual pension cost of \$39,563 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement 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. Henderson 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, 2003, was 14 years.

Trend Information

Fiscal Year Ended	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-05	\$39,563	100%	\$0
6-30-04	33,937	100	0
6-30-03	32,660	100	0

General County Employees

For the year ended June 30, 2005, Henderson County's annual pension cost of \$404,576 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement 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. Henderson 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, 2003, was 19 years.

Trend Information

Fiscal Year Ended	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-05	\$404,576	100%	\$0
6-30-04	385,874	100	0
6-30-03	285,541	100	0

Required Supplementary Information

Schedule of Funding Progress for Henderson County

County Officials

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-03	\$580	\$718	\$138	80.78%	\$493	27.99%
6-30-01	430	584	154	73.63	469	32.84
6-30-99	303	321	18	94.39	333	5.41

General County Employees

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll ((b-a)/c)
	(a)	(b)	(b) - (a)	(a/b)	(c)	
6-30-03	\$624	\$725	\$101	86.07%	\$3,954	2.55%

SCHOOL TEACHERS

Plan Description

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/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 Henderson County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2005, was 5.5 percent of annual covered payroll. The employer contribution requirement for the Henderson County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2005, 2004, and 2003 were \$585,873, \$352,618, and \$340,539, respectively, equal to the required contributions for each year.

H. Office of Central Accounting and Budgeting

Office of Director of Finance

Henderson County operates under the provisions of the County Financial Management System of 1981. This act provides for a central system of accounting, budgeting, and purchasing for all county departments. The act provides for the creation of a Finance Department operated under the direction of the finance director.

I. Purchasing Laws

Purchasing procedures for all departments of Henderson County are governed by provisions of the County Financial Management System Act of 1981, Section 5-21-101, et seq., Tennessee Code Annotated. These statutes provide for the director of finance to serve as the county purchasing agent. The Henderson County Finance Committee, with the assistance of the director of finance, established a purchasing system for the county which requires the issuance of purchase orders. The Finance Committee has also established that competitive bids are required to be solicited through newspaper advertisement on all purchases estimated to exceed \$5,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit F-1

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 2,775,113	\$ 0	\$ 0	\$ 2,775,113	\$ 2,678,189	\$ 2,723,549	\$ 51,564
Licenses and Permits	1,235	0	0	1,235	1,500	1,500	(265)
Fines, Forfeitures and Penalties	182,527	0	0	182,527	142,200	142,200	40,327
Charges for Current Services	54,822	0	0	54,822	35,350	35,350	19,472
Other Local Revenues	69,980	0	0	69,980	62,000	84,350	(14,370)
Fees Received from County Officials	417,072	0	0	417,072	404,000	404,000	13,072
State of Tennessee	401,367	0	0	401,367	271,697	824,833	(423,466)
Federal Government	915,903	0	0	915,903	1,600	331,982	583,921
Other Governments and Citizens Groups	209,374	0	0	209,374	188,746	202,033	7,341
Total Revenues	\$ 5,027,393	\$ 0	\$ 0	\$ 5,027,393	\$ 3,785,282	\$ 4,749,797	\$ 277,596
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 59,005	\$ 0	\$ 0	\$ 59,005	\$ 53,668	\$ 59,163	\$ 158
Board of Equalization	1,025	0	0	1,025	1,500	1,500	475
County Mayor	96,890	0	0	96,890	96,656	97,156	266
County Attorney	6,158	0	0	6,158	6,168	6,168	10
Election Commission	120,259	0	0	120,259	127,219	124,948	4,689
Register of Deeds	120,091	0	0	120,091	125,676	123,405	3,314
County Buildings	81,235	(200)	0	81,035	101,340	90,892	9,857
<u>Finance</u>							
Accounting and Budgeting	229,219	0	500	229,719	238,369	243,070	13,351
Property Assessor's Office	149,527	0	0	149,527	178,629	155,087	5,560
Reappraisal Program	58,329	0	0	58,329	40,293	59,293	964
County Trustee's Office	29,197	0	0	29,197	18,175	33,087	3,890
County Clerk's Office	28,250	0	26	28,276	25,309	31,612	3,336

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Administration of Justice</u>							
Circuit Court	\$ 41,834	\$ 0	\$ 0	\$ 41,834	\$ 46,237	\$ 52,591	\$ 10,757
General Sessions Court	118,839	0	115	118,954	121,025	119,025	71
Chancery Court	18,739	0	0	18,739	19,665	19,665	926
Juvenile Court	38,648	0	0	38,648	45,702	43,431	4,783
<u>Public Safety</u>							
Sheriff's Department	1,283,329	(209,700)	2,196	1,075,825	944,924	1,072,896	(2,929)
Workhouse	417,677	(175)	0	417,502	369,691	363,542	(53,960)
Fire Prevention and Control	351,392	0	42,265	393,657	181,512	444,566	50,909
Rescue Squad	10,000	0	0	10,000	10,000	10,000	0
Disaster Relief	12,055	0	0	12,055	3,138	12,059	4
Other Emergency Management	3,782	0	0	3,782	0	3,782	0
County Coroner/Medical Examiner	39,115	0	0	39,115	23,013	23,013	(16,102)
Other Public Safety	532,736	0	0	532,736	248,661	532,736	0
<u>Public Health and Welfare</u>							
Local Health Center	81,635	0	0	81,635	35,000	88,159	6,524
Alcohol and Drug Programs	0	0	0	0	8,000	8,000	8,000
Other Local Health Services	4,000	0	0	4,000	4,000	4,000	0
Appropriation to State	8,789	0	0	8,789	12,300	12,300	3,511
General Welfare Assistance	5,125	0	0	5,125	5,125	5,125	0
Aid to Dependent Children	209	0	0	209	700	700	491
Waste Pickup	51,870	0	0	51,870	47,610	66,891	15,021
<u>Social, Cultural and Recreational Services</u>							
Adult Activities	5,807	0	0	5,807	5,808	5,808	1
Senior Citizens Assistance	17,500	0	0	17,500	17,500	17,500	0
Libraries	39,500	0	0	39,500	36,500	39,511	11
Other Social, Cultural and Recreational	11,360	0	0	11,360	15,000	15,000	3,640

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Agriculture & Natural Resources</u>							
Agriculture Extension Service	\$ 58,224	\$ 0	\$ 0	\$ 58,224	\$ 59,486	\$ 59,486	\$ 1,262
Soil Conservation	17,331	0	0	17,331	16,866	17,331	0
Flood Control	6,290	0	0	6,290	11,752	11,752	5,462
<u>Other Operations</u>							
Tourism	7,000	0	0	7,000	7,000	7,000	0
Industrial Development	7,000	0	0	7,000	7,000	7,000	0
Veterans' Services	32,928	0	29	32,957	36,217	33,946	989
Other Charges	217,444	0	0	217,444	250,261	232,325	14,881
Employee Benefits	145,832	0	0	145,832	92,216	149,777	3,945
Payments to Cities	19,813	0	0	19,813	19,900	19,900	87
Miscellaneous	739,739	0	0	739,739	70,471	1,499,921	760,182
<u>Principal</u>							
General Government	45,000	0	0	45,000	0	0	(45,000)
<u>Interest</u>							
General Government	27,659	0	0	27,659	0	0	(27,659)
Total Expenditures	\$ 5,397,386	\$ (210,075)	\$ 45,131	\$ 5,232,442	\$ 3,785,282	\$ 6,024,119	\$ 791,677
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (369,993)	\$ 210,075	\$ (45,131)	\$ (205,049)	\$ 0	\$ (1,274,322)	\$ 1,069,273
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 314,158	\$ 0	\$ 0	\$ 314,158	\$ 0	\$ 614,158	\$ (300,000)
Transfers In	0	0	0	0	0	729,964	(729,964)
Transfers Out	(128,000)	0	0	(128,000)	0	(128,000)	0
Total Other Financing Sources (Uses)	\$ 186,158	\$ 0	\$ 0	\$ 186,158	\$ 0	\$ 1,216,122	\$ (1,029,964)

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Net Change in Fund Balance	\$ (183,835)	\$ 210,075	\$ (45,131)	\$ (18,891)	0	\$ (58,200)	\$ 39,309
Fund Balance, July 1, 2004	329,889	(210,075)	0	119,814	0	150,000	(30,186)
Fund Balance, June 30, 2005	\$ 146,054	\$ 0	\$ (45,131)	\$ 100,923	0	\$ 91,800	\$ 9,123

Exhibit F-2

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 151,882	\$ 0	\$ 151,882	\$ 152,975	\$ 152,975	\$ (1,093)
Other Local Revenues	4,158	0	4,158	0	0	4,158
State of Tennessee	1,938,337	0	1,938,337	2,317,537	2,317,537	(379,200)
Total Revenues	\$ 2,094,377	\$ 0	\$ 2,094,377	\$ 2,470,512	\$ 2,470,512	\$ (376,135)
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 98,152	\$ 0	\$ 98,152	\$ 106,422	\$ 106,422	\$ 8,270
Highway and Bridge Maintenance	1,087,615	0	1,087,615	1,288,175	1,156,185	68,570
Operation and Maintenance of Equipment	389,738	0	389,738	492,015	492,015	102,277
Other Charges	103,851	0	103,851	119,000	119,000	15,149
Employee Benefits	149,235	0	149,235	27,200	159,190	9,955
Capital Outlay	330,434	(27,665)	302,769	981,000	981,000	678,231
Total Expenditures	\$ 2,159,025	\$ (27,665)	\$ 2,131,360	\$ 3,013,812	\$ 3,013,812	\$ 882,452
Excess (Deficiency) of Revenues Over Expenditures	\$ (64,648)	\$ 27,665	\$ (36,983)	\$ (543,300)	\$ (543,300)	\$ 506,317
Net Change in Fund Balance	\$ (64,648)	\$ 27,665	\$ (36,983)	\$ (543,300)	\$ (543,300)	\$ 506,317
Fund Balance, July 1, 2004	669,503	(27,665)	641,838	543,300	543,300	98,538
Fund Balance, June 30, 2005	\$ 604,855	\$ 0	\$ 604,855	\$ 0	\$ 0	\$ 604,855

HENDERSON COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2005

A. BUDGETARY INFORMATION

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

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

B. EXPENDITURES EXCEEDED APPROPRIATIONS

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

<u>Major Appropriation Category</u>	<u>Amount</u>
Sheriff's Department	\$ 2,929
Workhouse	53,960
County Coroner/Medical Examiner	16,102
Principal - General Government	45,000
Interest - General Government	27,659

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

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for Henderson County’s garbage collection 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.

Debt Service Fund

Debt Service Funds are 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 accumulation of resources for, and the payment of, rural school debt.

Capital Projects Funds

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

General Capital Projects Fund – The General Capital Projects Fund is used to account for construction and renovations to county buildings.

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for the receipt of debt issued by Henderson County and contributed to the School Department for building construction and renovations.

Exhibit G-1

Henderson County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2005

	Special Revenue Funds				Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total	Rural Debt Service	General Capital Projects	
ASSETS							
Cash	\$ 0	\$ 0	\$ 427,697	\$ 427,697	\$ 0	\$ 0	\$ 427,697
Equity in Pooled Cash and Investments	24,104	31,085	0	55,189	642,098	128,000	825,287
Accounts Receivable	76	850	27,517	28,443	0	0	28,443
Due from Other Governments	8,949	0	0	8,949	85,955	0	94,904
Due from Other Funds	0	0	0	0	3,724	0	3,724
Due from Component Units	0	0	0	0	91,258	0	91,258
Property Taxes Receivable	299,124	0	0	299,124	0	0	299,124
Allowance for Uncollectible Property Taxes	(9,167)	0	0	(9,167)	0	0	(9,167)
Total Assets	\$ 323,086	\$ 31,935	\$ 455,214	\$ 810,235	\$ 823,035	\$ 128,000	\$ 1,761,270
LIABILITIES AND FUND BALANCES							
Liabilities							
Due to Other Funds	\$ 0	\$ 0	\$ 306	\$ 306	\$ 0	\$ 0	\$ 306
Deferred Revenue - Current Property Taxes	280,491	0	0	280,491	0	0	280,491
Deferred Revenue - Delinquent Property Taxes	8,580	0	0	8,580	0	0	8,580
Other Deferred Revenues	0	0	0	0	43,045	0	43,045
Total Liabilities	\$ 289,071	\$ 0	\$ 306	\$ 289,377	\$ 43,045	\$ 0	\$ 332,422
Fund Balances							
Reserved for Encumbrances	\$ 0	\$ 7,431	\$ 0	\$ 7,431	\$ 0	\$ 0	\$ 7,431
Unreserved	34,015	24,504	454,908	513,427	779,990	128,000	1,421,417
Total Fund Balances	\$ 34,015	\$ 31,935	\$ 454,908	\$ 520,858	\$ 779,990	\$ 128,000	\$ 1,428,848
Total Liabilities and Fund Balances	\$ 323,086	\$ 31,935	\$ 455,214	\$ 810,235	\$ 823,035	\$ 128,000	\$ 1,761,270

Exhibit G-2

Henderson County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	Special Revenue Funds				Debt Service Fund	Capital Projects Funds			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total	Rural Debt Service	General Capital Projects	Education Capital Projects	Total	
<u>Revenues</u>									
Local Taxes	\$ 271,866	\$ 0	\$ 0	\$ 271,866	\$ 483,191	\$ 0	\$ 0	\$ 0	\$ 755,057
Fines, Forfeitures and Penalties	0	119,124	0	119,124	0	0	0	0	119,124
Charges for Current Services	9	0	827,924	827,933	0	0	0	0	827,933
Other Local Revenues	23,284	350	0	23,634	15,054	0	0	0	38,688
State of Tennessee	19,567	0	0	19,567	0	0	0	0	19,567
Other Governments and Citizens Groups	0	0	0	0	288,708	0	0	0	288,708
Total Revenues	\$ 314,726	\$ 119,474	\$ 827,924	\$ 1,262,124	\$ 786,953	\$ 0	\$ 0	\$ 0	\$ 2,049,077
<u>Expenditures</u>									
Current:									
Finance	\$ 0	\$ 0	\$ 298,134	\$ 298,134	\$ 0	\$ 0	\$ 0	\$ 0	\$ 298,134
Administration of Justice	0	0	489,525	489,525	0	0	0	0	489,525
Public Safety	0	102,196	0	102,196	0	0	0	0	102,196
Public Health and Welfare	441,345	0	0	441,345	0	0	0	0	441,345
Debt Service:									
Principal	0	0	0	0	380,000	0	0	0	380,000
Interest	0	0	0	0	302,108	0	0	0	302,108
Other Debt Service	0	0	0	0	5,831	0	0	0	5,831
Capital Projects	0	0	0	0	0	0	791,018	791,018	791,018
Total Expenditures	\$ 441,345	\$ 102,196	\$ 787,659	\$ 1,331,200	\$ 687,939	\$ 0	\$ 791,018	\$ 791,018	\$ 2,810,157
Excess (Deficiency) of Revenues Over Expenditures	\$ (126,619)	\$ 17,278	\$ 40,265	\$ (69,076)	\$ 99,014	\$ 0	\$ (791,018)	\$ (791,018)	\$ (761,080)
<u>Other Financing Sources (Uses)</u>									
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 791,018	\$ 791,018	\$ 791,018
Transfers In	0	0	0	0	0	128,000	0	128,000	128,000
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 128,000	\$ 791,018	\$ 919,018	\$ 919,018
Net Change in Fund Balances	\$ (126,619)	\$ 17,278	\$ 40,265	\$ (69,076)	\$ 99,014	\$ 128,000	\$ 0	\$ 128,000	\$ 157,938
Fund Balance, July 1, 2004	160,634	14,657	414,643	589,934	680,976	0	0	0	1,270,910
Fund Balance, June 30, 2005	\$ 34,015	\$ 31,935	\$ 454,908	\$ 520,858	\$ 779,990	\$ 128,000	\$ 0	\$ 128,000	\$ 1,428,848

Exhibit G-3

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 271,866	\$ 269,835	\$ 269,835	\$ 2,031
Charges for Current Services	9	0	0	9
Other Local Revenues	23,284	7,500	7,500	15,784
State of Tennessee	19,567	0	10,618	8,949
Total Revenues	<u>\$ 314,726</u>	<u>\$ 277,335</u>	<u>\$ 287,953</u>	<u>\$ 26,773</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Education/Information	\$ 441,345	\$ 321,642	\$ 442,260	\$ 915
Total Expenditures	<u>\$ 441,345</u>	<u>\$ 321,642</u>	<u>\$ 442,260</u>	<u>\$ 915</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (126,619)</u>	<u>\$ (44,307)</u>	<u>\$ (154,307)</u>	<u>\$ 27,688</u>
Net Change in Fund Balance	\$ (126,619)	\$ (44,307)	\$ (154,307)	\$ 27,688
Fund Balance, July 1, 2004	160,634	44,307	154,307	6,327
Fund Balance, June 30, 2005	<u>\$ 34,015</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 34,015</u>

Exhibit G-4

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Drug Control Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Fines, Forfeitures and Penalties	\$ 119,124	\$ 0	\$ 119,124	\$ 21,600	\$ 107,686	\$ 11,438
Other Local Revenues	350	0	350	0	0	350
Total Revenues	<u>\$ 119,474</u>	<u>\$ 0</u>	<u>\$ 119,474</u>	<u>\$ 21,600</u>	<u>\$ 107,686</u>	<u>\$ 11,788</u>
<u>Expenditures</u>						
<u>Public Safety</u>						
Drug Enforcement	\$ 102,196	\$ 7,431	\$ 109,627	\$ 21,600	\$ 111,600	\$ 1,973
Total Expenditures	<u>\$ 102,196</u>	<u>\$ 7,431</u>	<u>\$ 109,627</u>	<u>\$ 21,600</u>	<u>\$ 111,600</u>	<u>\$ 1,973</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 17,278</u>	<u>\$ (7,431)</u>	<u>\$ 9,847</u>	<u>\$ 0</u>	<u>\$ (3,914)</u>	<u>\$ 13,761</u>
Net Change in Fund Balance	\$ 17,278	\$ (7,431)	\$ 9,847	\$ 0	\$ (3,914)	\$ 13,761
Fund Balance, July 1, 2004	<u>14,657</u>	<u>0</u>	<u>14,657</u>	<u>0</u>	<u>3,914</u>	<u>10,743</u>
Fund Balance, June 30, 2005	<u>\$ 31,935</u>	<u>\$ (7,431)</u>	<u>\$ 24,504</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 24,504</u>

Exhibit G-5

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Rural Debt Service Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 483,191	\$ 400,000	\$ 400,000	\$ 83,191
Other Local Revenues	15,054	3,000	3,000	12,054
Other Governments and Citizens Groups	288,708	288,708	288,708	0
Total Revenues	<u>\$ 786,953</u>	<u>\$ 691,708</u>	<u>\$ 691,708</u>	<u>\$ 95,245</u>
<u>Expenditures</u>				
<u>Principal</u>				
Education	\$ 380,000	\$ 387,000	\$ 380,000	\$ 0
<u>Interest</u>				
Education	302,108	303,108	303,108	1,000
<u>Other Debt Service</u>				
Education	5,831	0	7,000	1,169
Total Expenditures	<u>\$ 687,939</u>	<u>\$ 690,108</u>	<u>\$ 690,108</u>	<u>\$ 2,169</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 99,014</u>	<u>\$ 1,600</u>	<u>\$ 1,600</u>	<u>\$ 97,414</u>
Net Change in Fund Balance	\$ 99,014	\$ 1,600	\$ 1,600	\$ 97,414
Fund Balance, July 1, 2004	<u>680,976</u>	<u>1,600</u>	<u>1,600</u>	<u>679,376</u>
Fund Balance, June 30, 2005	<u>\$ 779,990</u>	<u>\$ 3,200</u>	<u>\$ 3,200</u>	<u>\$ 776,790</u>

Major Governmental Fund

General Debt Service Fund

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

Exhibit H

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,910,213	\$ 1,858,400	\$ 1,858,400	\$ 51,813
Other Local Revenues	72,740	30,000	30,000	42,740
Total Revenues	<u>\$ 1,982,953</u>	<u>\$ 1,888,400</u>	<u>\$ 1,888,400</u>	<u>\$ 94,553</u>
<u>Expenditures</u>				
<u>Principal</u>				
General Government	\$ 588,333	\$ 742,357	\$ 627,357	\$ 39,024
Education	996,667	783,333	1,023,396	26,729
<u>Interest</u>				
General Government	36,534	2,000	77,222	40,688
Education	860,622	807,707	974,708	114,086
<u>Other Debt Service</u>				
General Government	40,390	0	45,286	4,896
Education	16,949	0	3,824	(13,125)
Total Expenditures	<u>\$ 2,539,495</u>	<u>\$ 2,335,397</u>	<u>\$ 2,751,793</u>	<u>\$ 212,298</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (556,542)</u>	<u>\$ (446,997)</u>	<u>\$ (863,393)</u>	<u>\$ 306,851</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 1,628,982	\$ 0	\$ 1,628,982	\$ 0
Payments to Refunded Debt Escrow Agent	(1,650,452)	0	(1,650,452)	0
Total Other Financing Sources (Uses)	<u>\$ (21,470)</u>	<u>\$ 0</u>	<u>\$ (21,470)</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (578,012)	\$ (446,997)	\$ (884,863)	\$ 306,851
Fund Balance, July 1, 2004	<u>4,876,714</u>	<u>446,997</u>	<u>2,513,845</u>	<u>2,362,869</u>
Fund Balance, June 30, 2005	<u>\$ 4,298,702</u>	<u>\$ 0</u>	<u>\$ 1,628,982</u>	<u>\$ 2,669,720</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 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.

City School ADA - Lexington Fund – The City School ADA - Lexington Fund is used to account for the city school system's share of education revenues collected by the county which must be apportioned between the Henderson County School System and the City of Lexington School System on an average daily attendance basis. These collections are remitted to the Lexington City School System on a monthly basis.

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

Exhibit I-1

Henderson County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2005

	Agency Funds				Total
	Cities - Sales Tax	City School ADA - Lexington	Constitu- tional Officers - Agency		
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 0	\$ 212,785	\$ 0	\$ 0	\$ 212,785
Cash	0	0	1,727,283		1,727,283
Accounts Receivable	0	119	0		119
Due from Other Governments	470,459	120,403	0		590,862
Taxes Receivable	0	387,955	0		387,955
Allowance for Uncollectible Taxes	0	(15,627)	0		(15,627)
Total Assets	\$ 470,459	\$ 705,635	\$ 1,727,283	\$ 0	\$ 2,903,377
<u>LIABILITIES</u>					
Due to Other Taxing Units	\$ 470,459	\$ 705,635	\$ 0	\$ 0	\$ 1,176,094
Due to Litigants, Heirs, and Others	0	0	1,727,283		1,727,283
Total Liabilities	\$ 470,459	\$ 705,635	\$ 1,727,283	\$ 0	\$ 2,903,377

Exhibit I-2

Henderson County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2005

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 2,655,145	\$ 2,655,145	\$ 0
Due From Other Governments	450,537	470,459	450,537	470,459
Total Assets	\$ 450,537	\$ 3,125,604	\$ 3,105,682	\$ 470,459
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 450,537	\$ 3,125,604	\$ 3,105,682	\$ 470,459
Total Liabilities	\$ 450,537	\$ 3,125,604	\$ 3,105,682	\$ 470,459
<u>City School ADA - Lexington Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 88,862	\$ 1,388,424	\$ 1,264,501	\$ 212,785
Accounts Receivable	64	119	64	119
Due From Other Governments	116,680	120,403	116,680	120,403
Taxes Receivable	394,651	387,955	394,651	387,955
Allowance for Uncollectible Taxes	(10,982)	(15,627)	(10,982)	(15,627)
Total Assets	\$ 589,275	\$ 1,881,274	\$ 1,764,914	\$ 705,635
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 589,275	\$ 1,881,274	\$ 1,764,914	\$ 705,635
Total Liabilities	\$ 589,275	\$ 1,881,274	\$ 1,764,914	\$ 705,635
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,385,674	\$ 6,679,813	\$ 6,338,204	\$ 1,727,283
Total Assets	\$ 1,385,674	\$ 6,679,813	\$ 6,338,204	\$ 1,727,283

(Continued)

Exhibit I-2

Henderson County, Tennessee

Combining Statement of Changes in Assets and Liabilities - All Agency Funds (Cont.)

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund (Cont.)</u>				
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,385,674	\$ 6,679,813	\$ 6,338,204	\$ 1,727,283
Total Liabilities	<u>\$ 1,385,674</u>	<u>\$ 6,679,813</u>	<u>\$ 6,338,204</u>	<u>\$ 1,727,283</u>
 <u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 88,862	\$ 4,043,569	\$ 3,919,646	\$ 212,785
Cash	1,385,674	6,679,813	6,338,204	1,727,283
Accounts Receivable	64	119	64	119
Due From Other Governments	567,217	590,862	567,217	590,862
Taxes Receivable	394,651	387,955	394,651	387,955
Allowance for Uncollectible Taxes	(10,982)	(15,627)	(10,982)	(15,627)
Total Assets	<u>\$ 2,425,486</u>	<u>\$ 11,686,691</u>	<u>\$ 11,208,800</u>	<u>\$ 2,903,377</u>
 <u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,039,812	\$ 5,006,878	\$ 4,870,596	\$ 1,176,094
Due to Litigants, Heirs, and Others	1,385,674	6,679,813	6,338,204	1,727,283
Total Liabilities	<u>\$ 2,425,486</u>	<u>\$ 11,686,691</u>	<u>\$ 11,208,800</u>	<u>\$ 2,903,377</u>

Henderson County School Department

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

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

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

School Transportation Fund – The School Transportation Fund is used to account for transportation of all students in the county.

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for construction and renovations of county elementary school buildings.

Other Capital Projects Fund – The Other Capital Projects Fund is used to account for high school building construction.

Exhibit J-1

Henderson County, Tennessee
Statement of Activities
Discretely Presented Henderson County School Department
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets Total Governmental Activities
Component Unit:					
Governmental Activities:					
Instruction	\$ 14,710,767	\$ 500	\$ 1,845,683	\$ 660,700	\$ (12,203,884)
Support Services	5,611,276	81,741	100,325	0	(5,429,210)
Operation of Noninstructional Services	1,145,054	0	873,339	0	(271,715)
Other Debt Service	288,708	0	0	0	(288,708)
Total Governmental Activities	\$ 21,755,805	\$ 82,241	\$ 2,819,347	\$ 660,700	\$ (18,193,517)
General Revenues:					
Taxes:					
Property taxes levied for general purposes					\$ 2,544,703
Local option sales tax					2,080,586
Other local taxes					341,951
Grants & Contributions not restricted for specific programs					13,359,311
Miscellaneous					2,642
Total General Revenues					\$ 18,329,193
Change in net assets					\$ 135,676
Net assets, July 1, 2004					<u>23,566,685</u>
Net assets, June 30, 2005					<u>\$ 23,702,361</u>

Exhibit J-2

Henderson County, Tennessee
 Balance Sheet - Governmental Funds
 Discretely Presented Henderson County School Department
 June 30, 2005

	Major Funds			Nonmajor	Total
	General Purpose School	School Transportation	Education Capital Projects	Funds Other Governmental Funds	
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 1,009,973	\$ 105,637	\$ 642,292	\$ 203,692	\$ 1,961,594
Accounts Receivable	764	212	0	0	976
Due from Other Governments	436,563	0	0	106,714	543,277
Due from Primary Government	99,015	0	0	0	99,015
Property Taxes Receivable	1,432,192	836,663	0	0	2,268,855
Allowance for Uncollectible Property Taxes	(57,691)	(27,339)	0	0	(85,030)
Total Assets	\$ 2,920,816	\$ 915,173	\$ 642,292	\$ 310,406	\$ 4,788,687
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 10,325	\$ 0	\$ 0	\$ 0	\$ 10,325
Contracts Payable	0	0	335	62,737	63,072
Due to Primary Government	91,258	0	0	0	91,258
Deferred Revenue - Current Property Taxes	1,311,609	779,141	0	0	2,090,750
Deferred Revenue - Delinquent Property Taxes	57,005	27,357	0	0	84,362
Other Deferred Revenues	185,500	0	0	0	185,500
Total Liabilities	\$ 1,655,697	\$ 806,498	\$ 335	\$ 62,737	\$ 2,525,267
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 518,166	\$ 1,523	\$ 405,039	\$ 180,168	\$ 1,104,896
Reserved for Career Ladder - Extended Contract	26,462	0	0	0	26,462
Reserved for Career Ladder Program	21,403	0	0	0	21,403
Other Federal Reserves	0	0	0	45,232	45,232
Unreserved, Reported In:					
General Fund	699,088	0	0	0	699,088
Special Revenue Funds	0	107,152	0	0	107,152
Capital Projects Funds	0	0	236,918	22,269	259,187
Total Fund Balances	\$ 1,265,119	\$ 108,675	\$ 641,957	\$ 247,669	\$ 2,263,420
Total Liabilities and Fund Balances	\$ 2,920,816	\$ 915,173	\$ 642,292	\$ 310,406	\$ 4,788,687

Exhibit J-3

Henderson County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
Discretely Presented Henderson County School Department
June 30, 2005

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)	\$ 2,263,420
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	21,226,338
(2) Long-term liabilities are not due in the current period and therefore are not reported in the funds.	(57,259)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	<u>269,862</u>
Net assets of governmental activities (Exhibit A)	<u>\$ 23,702,361</u>

Exhibit J-4

Henderson County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Henderson County School Department
For the Year Ended June 30, 2005

	Major Funds			Nonmajor	Total
	General Purpose School	School Transportation	Education Capital Projects	Funds Other Governmental Funds	
<u>Revenues</u>					
Local Taxes	\$ 4,184,077	\$ 872,919	\$ 0	\$ 0	\$ 5,056,996
Licenses and Permits	2,610	0	0	0	2,610
Charges for Current Services	81,714	0	0	0	81,714
Other Local Revenues	69,205	1,863	42,756	3,253	117,077
State of Tennessee	13,469,389	0	0	0	13,469,389
Federal Government	956,147	0	0	1,479,575	2,435,722
Other Governments and Citizens Groups	345,110	0	315,590	0	660,700
Total Revenues	\$ 19,108,252	\$ 874,782	\$ 358,346	\$ 1,482,828	\$ 21,824,208
<u>Expenditures</u>					
Current:					
Instruction	\$ 11,894,303	\$ 0	\$ 0	\$ 1,340,941	\$ 13,235,244
Support Services	4,927,968	852,739	0	184,658	5,965,365
Operation of Non-Instructional Services	961,176	0	0	0	961,176
Capital Outlay	169,833	0	0	0	169,833
Debt Service:					
Other Debt Service	288,708	0	0	0	288,708
Capital Projects	0	0	2,436,529	125,824	2,562,353
Total Expenditures	\$ 18,241,988	\$ 852,739	\$ 2,436,529	\$ 1,651,423	\$ 23,182,679
Excess (Deficiency) of Revenues					
Over Expenditures	\$ 866,264	\$ 22,043	\$ (2,078,183)	\$ (168,595)	\$ (1,358,471)
<u>Other Financing Sources (Uses)</u>					
Transfers In	\$ 5,907	\$ 0	\$ 0	\$ 0	\$ 5,907
Transfers Out	0	0	0	(5,907)	(5,907)
Total Other Financing Sources (Uses)	\$ 5,907	\$ 0	\$ 0	\$ (5,907)	\$ 0
Net Change in Fund Balances					
Fund Balance, July 1, 2004	\$ 392,948	\$ 86,632	\$ 2,720,140	\$ 422,171	\$ 3,621,891
Fund Balance, June 30, 2005	\$ 1,265,119	\$ 108,675	\$ 641,957	\$ 247,669	\$ 2,263,420

Exhibit J-5

Henderson County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Henderson County School Department
For the Year Ended June 30, 2005

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

Net change in fund balances - total governmental funds (Exhibit J-4)	\$ (1,358,471)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,447,425
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.	(18,045)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(17,477)
(4) The repayment of the principal of long-term debt consumes the current financial of governmental funds; however, there is no effect on net assets.	<u>82,244</u>
Change in net assets of governmental activities (Exhibit B)	<u>\$ 135,676</u>

Henderson County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Henderson County School Department
June 30, 2005

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	
	School Federal Projects	Other Capital Projects	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 7,115	\$ 196,577	\$ 203,692
Due from Other Governments	106,714	0	106,714
Total Assets	<u>\$ 113,829</u>	<u>\$ 196,577</u>	<u>\$ 310,406</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Contracts Payable	\$ 0	\$ 62,737	\$ 62,737
Total Liabilities	<u>\$ 0</u>	<u>\$ 62,737</u>	<u>\$ 62,737</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 68,597	\$ 111,571	\$ 180,168
Other Federal Reserves	45,232	0	45,232
Unreserved	0	22,269	22,269
Total Fund Balances	<u>\$ 113,829</u>	<u>\$ 133,840</u>	<u>\$ 247,669</u>
Total Liabilities and Fund Balances	<u>\$ 113,829</u>	<u>\$ 196,577</u>	<u>\$ 310,406</u>

Exhibit J-7

Henderson County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Henderson County School Department
For the Year Ended June 30, 2005

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	School Federal Projects	Other Capital Projects	
<u>Revenues</u>			
Other Local Revenues	\$ 0	\$ 3,253	\$ 3,253
Federal Government	1,479,575	0	1,479,575
Total Revenues	<u>\$ 1,479,575</u>	<u>\$ 3,253</u>	<u>\$ 1,482,828</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,340,941	\$ 0	\$ 1,340,941
Support Services	184,658	0	184,658
Capital Projects	0	125,824	125,824
Total Expenditures	<u>\$ 1,525,599</u>	<u>\$ 125,824</u>	<u>\$ 1,651,423</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (46,024)</u>	<u>\$ (122,571)</u>	<u>\$ (168,595)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (5,907)	\$ 0	\$ (5,907)
Total Other Financing Sources (Uses)	<u>\$ (5,907)</u>	<u>\$ 0</u>	<u>\$ (5,907)</u>
Net Change in Fund Balances	\$ (51,931)	\$ (122,571)	\$ (174,502)
Fund Balance, July 1, 2004	165,760	256,411	422,171
Fund Balance, June 30, 2005	<u>\$ 113,829</u>	<u>\$ 133,840</u>	<u>\$ 247,669</u>

Exhibit J-8

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Henderson County School Department
General Purpose School Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 4,184,077	\$ 0	\$ 0	\$ 4,184,077	\$ 4,056,187	\$ 4,056,187	\$ 127,890
Licenses and Permits	2,610	0	0	2,610	2,375	2,375	235
Charges for Current Services	81,714	0	0	81,714	81,182	81,182	532
Other Local Revenues	69,205	0	0	69,205	5,000	58,589	10,616
State of Tennessee	13,469,389	0	0	13,469,389	12,964,372	13,171,372	298,017
Federal Government	956,147	0	0	956,147	973,530	1,020,494	(64,347)
Other Governments and Citizens Groups	345,110	0	0	345,110	368,000	368,000	(22,890)
Total Revenues	\$ 19,108,252	\$ 0	\$ 0	\$ 19,108,252	\$ 18,450,646	\$ 18,758,199	\$ 350,053
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 9,076,423	\$ (199)	\$ 201,952	\$ 9,278,176	\$ 9,106,707	\$ 9,325,813	\$ 47,637
Alternative Instruction Program	17,850	0	0	17,850	18,008	18,008	158
Special Education Program	1,634,739	(100)	16,129	1,650,768	1,618,743	1,653,257	2,489
Vocational Education Program	1,094,324	0	329	1,094,653	1,104,255	1,104,255	9,602
Adult Education Program	70,967	0	1,318	72,285	69,420	80,469	8,184
<u>Support Services</u>							
Attendance	64,358	0	0	64,358	64,112	64,512	154
Health Services	219,874	0	0	219,874	234,592	224,470	4,596
Other Student Support	421,699	0	0	421,699	422,885	422,885	1,186
Regular Instruction Program	673,258	0	500	673,758	703,302	698,677	24,919
Alternative Instruction Program	63,851	0	0	63,851	59,828	64,452	601
Special Education Program	259,938	0	9,073	269,011	269,156	269,156	145
Vocational Education Program	40,391	0	2,416	42,807	42,944	42,944	137
Adult Programs	63,157	0	0	63,157	62,101	63,501	344
Board of Education	334,976	0	0	334,976	296,295	329,582	(5,394)

(Continued)

Exhibit J-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Director of Schools	\$ 121,981	\$ 0	\$ 0	\$ 121,981	\$ 129,582	\$ 129,582	\$ 7,601
Office of the Principal	815,971	0	0	815,971	841,047	830,047	14,076
Fiscal Services	82,800	0	107	82,907	91,669	91,669	8,762
Operation of Plant	1,478,002	(1,008)	291	1,477,285	1,475,925	1,475,925	(1,360)
Maintenance of Plant	267,709	(741)	6,725	273,693	270,145	275,083	1,390
Central and Other	20,003	0	0	20,003	19,200	20,800	797
<u>Operation of Non-Instructional Services</u>							
Food Service	961,176	0	18,917	980,093	1,026,730	1,042,109	62,016
<u>Capital Outlay</u>							
Regular Capital Outlay	169,833	(8,940)	260,409	421,302	225,000	432,000	10,698
<u>Principal</u>							
Education	0	0	0	0	299,000	0	0
<u>Other Debt Service</u>							
Education	288,708	0	0	288,708	0	299,000	10,292
Total Expenditures	\$ 18,241,988	\$ (10,988)	\$ 518,166	\$ 18,749,166	\$ 18,450,646	\$ 18,958,196	\$ 209,030
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 866,264	\$ 10,988	\$ (518,166)	\$ 359,086	\$ 0	\$ (199,997)	\$ 559,083
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 5,907	\$ 0	\$ 0	\$ 5,907	\$ 0	\$ 0	\$ 5,907
Total Other Financing Sources (Uses)	\$ 5,907	\$ 0	\$ 0	\$ 5,907	\$ 0	\$ 0	\$ 5,907

(Continued)

Exhibit J-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Net Change in Fund Balance	\$ 872,171	\$ 10,988	\$ (518,166)	\$ 364,993	\$ 0	\$ (199,997)	\$ 564,990
Fund Balance, July 1, 2004	392,948	(10,988)	0	381,960	0	200,000	181,960
Fund Balance, June 30, 2005	\$ 1,265,119	\$ 0	\$ (518,166)	\$ 746,953	\$ 0	\$ 3	\$ 746,950

Exhibit J-9

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Henderson County School Department
School Federal Projects Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 1,479,575	\$ 0	\$ 0	\$ 1,479,575	\$ 1,755,395	\$ 1,792,321	\$ (312,746)
Total Revenues	\$ 1,479,575	\$ 0	\$ 0	\$ 1,479,575	\$ 1,755,395	\$ 1,792,321	\$ (312,746)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 620,735	\$ 0	\$ 0	\$ 620,735	\$ 783,273	\$ 835,924	\$ 215,189
Special Education Program	689,389	(2,425)	21,963	708,927	816,687	814,688	105,761
Vocational Education Program	30,817	0	42,284	73,101	73,099	73,099	(2)
<u>Support Services</u>							
Health Services	710	(710)	0	0	3,089	3,089	3,089
Other Student Support	10,049	0	3,807	13,856	17,728	17,728	3,872
Regular Instruction Program	138,129	(16,862)	543	121,810	195,224	195,224	73,414
Special Education Program	35,770	0	0	35,770	35,187	37,187	1,417
Total Expenditures	\$ 1,525,599	\$ (19,997)	\$ 68,597	\$ 1,574,199	\$ 1,924,287	\$ 1,976,939	\$ 402,740
Excess (Deficiency) of Revenues Over Expenditures	\$ (46,024)	\$ 19,997	\$ (68,597)	\$ (94,624)	\$ (168,892)	\$ (184,618)	\$ 89,994
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (5,907)	\$ 0	\$ 0	\$ (5,907)	\$ (14,179)	\$ (14,252)	\$ 8,345
Total Other Financing Sources (Uses)	\$ (5,907)	\$ 0	\$ 0	\$ (5,907)	\$ (14,179)	\$ (14,252)	\$ 8,345

(Continued)

Exhibit J-9

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Net Change in Fund Balance	\$ (51,931)	\$ 19,997	\$ (68,597)	\$ (100,531)	\$ (183,071)	\$ (198,870)	\$ 98,339
Fund Balance, July 1, 2004	165,760	(19,997)	0	145,763	183,071	198,870	(53,107)
Fund Balance, June 30, 2005	\$ 113,829	\$ 0	\$ (68,597)	\$ 45,232	\$ 0	\$ 0	\$ 45,232

Exhibit J-10

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Henderson County School Department
School Transportation Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 872,919	\$ 0	\$ 0	\$ 872,919	\$ 873,814	\$ 873,814	\$ (895)
Other Local Revenues	1,863	0	0	1,863	0	1,700	163
Total Revenues	<u>\$ 874,782</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 874,782</u>	<u>\$ 873,814</u>	<u>\$ 875,514</u>	<u>\$ (732)</u>
<u>Expenditures</u>							
<u>Support Services</u>							
Board of Education	\$ 17,112	\$ 0	\$ 0	\$ 17,112	\$ 25,000	\$ 25,000	\$ 7,888
Transportation	835,627	(2,250)	1,523	834,900	848,814	850,514	15,614
Total Expenditures	<u>\$ 852,739</u>	<u>\$ (2,250)</u>	<u>\$ 1,523</u>	<u>\$ 852,012</u>	<u>\$ 873,814</u>	<u>\$ 875,514</u>	<u>\$ 23,502</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 22,043</u>	<u>\$ 2,250</u>	<u>\$ (1,523)</u>	<u>\$ 22,770</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 22,770</u>
Net Change in Fund Balance	\$ 22,043	\$ 2,250	\$ (1,523)	\$ 22,770	\$ 0	\$ 0	\$ 22,770
Fund Balance, July 1, 2004	86,632	(2,250)	0	84,382	0	0	84,382
Fund Balance, June 30, 2005	<u>\$ 108,675</u>	<u>\$ 0</u>	<u>\$ (1,523)</u>	<u>\$ 107,152</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 107,152</u>

MISCELLANEOUS SCHEDULES

Exhibit K-1

Henderson County, Tennessee
Schedule of Changes in Long-term Notes,
Capital Leases, and Bonds
Primary Government and Discretely Presented
Henderson County School Department
For the Year Ended June 30, 2005

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-05
PRIMARY GOVERNMENT									
NOTES PAYABLE									
<u>Payable through General Fund</u>									
Fire Department Trucks/Equipment	\$ 655,000	5.45%	8-9-00	8-30-12	\$ 530,000	\$ 0	\$ 45,000	\$ 435,000	\$ 50,000
Computer Equipment	42,000	3.39	2-1-05	9-30-05	0	42,000	0	0	42,000
E911 Equipment	272,158	3.69 to 4.19	3-23-05	3-1-08	0	272,158	0	0	272,158
Total Payable through General Fund					<u>\$ 530,000</u>	<u>\$ 314,158</u>	<u>\$ 45,000</u>	<u>\$ 435,000</u>	<u>\$ 364,158</u>
<u>Payable through General Debt Service Fund</u>									
G.O. Capital Outlay Note, Series 1998	1,000,000	4.65 to 5.25	1-14-1998	6-30-09	\$ 950,000	\$ 0	\$ 100,000	\$ 850,000	\$ 0
School Land and Facilities	475,000	5.45	8-9-00	8-30-12	405,000	0	35,000	330,000	40,000
Highway Equipment Capital Outlay Note, Series 2001	300,000	2.35 to 3.65	10-25-01	4-1-06	120,000	0	60,000	0	60,000
G.O. School Capital Outlay Note, Series 2002	355,000	2.75 to 3.8	3-21-02	3-1-05	118,334	0	118,334	0	0
G.O. School Capital Outlay Note, Series 2002B	640,000	2.45 to 4.5	12-19-02	4-1-14	590,000	0	50,000	0	540,000
G.O. Capital Outlay Note, Series 2003	625,000	2 to 3.25	9-25-03	4-1-08	500,000	0	125,000	0	375,000
G.O. Capital Outlay Note, Series 2004	680,000	2.45 to 3.2	4-28-04	4-28-07	680,000	0	403,333	0	276,667
G.O. Capital Outlay Note, Series 2004C	355,000	2.4 to 3.15	6-24-04	6-24-07	355,000	0	118,333	0	236,667
G.O. Capital Outlay Note, Series 2005A	800,000	3.45 to 4	6-30-05	4-1-17	0	800,000	0	0	800,000
G.O. Refunding Capital Outlay Note, Series 2005B	855,000	3.2 to 3.55	6-30-05	4-1-09	0	855,000	0	0	855,000
G.O. Refunding Capital Outlay Note, Series 2005C	765,000	3.45 to 3.95	6-30-05	4-1-13	0	765,000	0	0	765,000
Total Payable through General Debt Service Fund					<u>\$ 3,718,334</u>	<u>\$ 2,420,000</u>	<u>\$ 1,010,000</u>	<u>\$ 1,180,000</u>	<u>\$ 3,948,334</u>
Total Notes Payable					<u>\$ 4,248,334</u>	<u>\$ 2,734,158</u>	<u>\$ 1,055,000</u>	<u>\$ 1,615,000</u>	<u>\$ 4,312,492</u>
GENERAL BONDED DEBT									
<u>Payable through General Debt Service Fund</u>									
High School Bonds	8,660,000	4.8 to 5.25	6-1-1997	4-1-07	\$ 650,000	\$ 0	\$ 140,000	\$ 0	\$ 510,000
G. O. Refunding Bond Series	2,250,000	3.9 to 4.4	5-1-1998	9-1-06	450,000	0	245,000	0	205,000
High School Bonds	3,000,000	4.7 to 5.375	2-1-00	4-1-11	400,000	0	50,000	0	350,000
High School Refunding Bonds, Series 2001	8,150,000	3.5 to 5	10-11-01	4-1-17	8,080,000	0	20,000	0	8,060,000
G.O. School Bonds Series 2001	1,215,000	3.85 to 6	10-25-01	4-1-16	1,085,000	0	70,000	0	1,015,000
School Bonds, Series 2004	3,850,000	2 to 4.25	2-1-04	4-1-24	3,850,000	0	25,000	0	3,825,000
High School Refunding Bonds, Series 2004	2,840,000	2 to 3.875	4-1-04	4-1-20	2,840,000	0	25,000	0	2,815,000
Total Payable through General Debt Service Fund					<u>\$ 17,355,000</u>	<u>\$ 0</u>	<u>\$ 575,000</u>	<u>\$ 0</u>	<u>\$ 16,780,000</u>

(Continued)

Exhibit K-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-05
<u>PRIMARY GOVERNMENT (CONT.)</u>									
<u>GENERAL BONDED DEBT (Cont.)</u>									
<u>Payable through Rural Debt Service Fund</u>									
Rural School Bonds, Series 1997	\$ 3,560,000	4.8 to 5%	6-1-1997	4-1-09	\$ 860,000	\$ 0	\$ 155,000	\$ 0	\$ 705,000
Rural School Bonds, Series 1997A	4,775,000	3.9 to 5.1	9-1-1997	4-1-16	3,925,000	0	200,000	0	3,725,000
Rural School Refunding Bonds, Series 2004	2,140,000	2 to 3.6	4-1-04	4-1-17	2,140,000	0	25,000	0	2,115,000
Total Payable through Rural Debt Service Fund					<u>\$ 6,925,000</u>	<u>\$ 0</u>	<u>\$ 380,000</u>	<u>\$ 0</u>	<u>\$ 6,545,000</u>
Total General Bonded Debt					<u>\$ 24,280,000</u>	<u>\$ 0</u>	<u>\$ 955,000</u>	<u>\$ 0</u>	<u>\$ 23,325,000</u>
<u>DISCRETELY PRESENTED HENDERSON COUNTY SCHOOL DEPARTMENT</u>									
<u>CAPITAL LEASES</u>									
<u>Payable through General Purpose School Fund</u>									
Heating and Cooling Equipment	492,199	5.22	7-1-1999	2-1-06	\$ 139,503	\$ 0	\$ 82,244	\$ 0	\$ 57,259
Total Capital Leases					<u>\$ 139,503</u>	<u>\$ 0</u>	<u>\$ 82,244</u>	<u>\$ 0</u>	<u>\$ 57,259</u>

Exhibit K-2

Henderson County, Tennessee
Schedule of Bond and Interest Requirements By Year

Year Ending June 30	General Debt Service Fund		Rural Debt Service Fund		Total Requirements
	Bond Requirements	Interest Requirements	Bond Requirements	Interest Requirements	
2006	\$ 550,000	\$ 708,105	\$ 390,000	\$ 284,858	\$ 1,932,963
2007	570,000	685,108	420,000	266,907	1,942,015
2008	725,000	661,597	455,000	247,332	2,088,929
2009	785,000	630,107	495,000	226,180	2,136,287
2010	995,000	599,776	555,000	202,843	2,352,619
2011	1,115,000	555,727	585,000	181,168	2,436,895
2012	1,180,000	512,062	640,000	157,263	2,489,325
2013	1,260,000	463,698	670,000	130,063	2,523,761
2014	1,360,000	411,116	725,000	101,218	2,597,334
2015	1,485,000	351,899	760,000	69,105	2,666,004
2016	1,605,000	287,026	570,000	34,830	2,496,856
2017	1,665,000	213,960	280,000	10,080	2,169,040
2018	715,000	138,128	0	0	853,128
2019	775,000	111,656	0	0	886,656
2020	775,000	81,931	0	0	856,931
2021	285,000	51,556	0	0	336,556
2022	300,000	39,587	0	0	339,587
2023	310,000	26,987	0	0	336,987
2024	325,000	13,813	0	0	338,813
Total	\$ 16,780,000	\$ 6,543,839	\$ 6,545,000	\$ 1,911,847	\$ 31,780,686

Exhibit K-3

Henderson County, Tennessee
Schedule of Transfers - All Funds and Discretely Presented
Henderson County School Department
For the Year Ended June 30, 2005

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	General Capital Projects	To provide funds for health department construction	\$ 128,000
School Federal Projects (School Dept.)	General Purpose School (School Dept.)	Indirect costs	<u>5,907</u>
Total Transfers			<u>\$ 133,907</u>

Exhibit K-4

Henderson County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 60,023	\$ 50,000	State Automobile Mutual Insurance Company
Road Supervisor	Section 8-24-102, <u>TCA</u>	57,165	100,000	Western Surety Company
Director of Schools	State Board of Education and County Commission	83,102 (1)	50,000	"
Trustee	Section 8-24-102, <u>TCA</u> and County Commission	53,469 (2)	635,845	State Automobile Mutual Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	51,969	25,000	Western Surety Company
Director of Finance	County Commission	51,968	50,000	"
County Clerk	Section 8-24-102, <u>TCA</u> , and County Commission	53,469 (2)	50,000	State Automobile Mutual Insurance Company
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	51,969	100,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and County Commission	53,469 (2)	100,000	"
Register	Section 8-24-102, <u>TCA</u>	51,969	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	57,165	25,000	"
Employee Dishonesty Coverage:				
General County Employees			150,000	Local Government Insurance Pool
Education Employees			150,000	Tennessee School Boards Risk Management Trust

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

(2) Includes certified public administrator supplement of \$1,500.

Exhibit K-5

Henderson County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2005

	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	\$ 2,000,460	\$ 248,137	\$ 0	\$ 0	\$ 138,169	\$ 1,743,181	\$ 0	\$ 4,129,947
Trustee's Collections - Prior Year	59,642	9,384	0	0	5,297	60,129	0	134,452
Circuit/Clerk & Master Collections - Prior Years	35,631	5,063	0	0	3,164	40,504	0	84,362
Interest and Penalty	14,370	1,965	0	0	1,186	15,164	0	32,685
Payments in Lieu of Taxes - Local Utilities	28,274	3,521	0	0	1,957	24,661	0	58,413
<u>County Local Option Taxes</u>								
Local Option Sales Tax	56,810	0	0	0	0	0	482,680	539,490
Hotel/Motel Tax	101,866	0	0	0	0	0	0	101,866
Litigation Tax - General	202,612	0	0	0	0	0	0	202,612
Business Tax	184,423	0	0	0	0	0	0	184,423
<u>Statutory Local Taxes</u>								
Bank Excise Tax	30,497	3,796	0	0	2,109	26,574	0	62,976
Wholesale Beer Tax	58,228	0	0	0	0	0	0	58,228
Interstate Telecommunications Tax	2,300	0	0	0	0	0	511	2,811
Total Local Taxes	\$ 2,775,113	\$ 271,866	\$ 0	\$ 0	\$ 151,882	\$ 1,910,213	\$ 483,191	\$ 5,592,265
<u>Licenses and Permits</u>								
<u>Permits</u>								
Beer Permits	\$ 1,235	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,235
Total Licenses and Permits	\$ 1,235	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,235
<u>Fines, Forfeitures and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 23,248	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 23,248
Officers Costs	1,134	0	0	0	0	0	0	1,134
Drug Control Fines	5,328	0	10,079	0	0	0	0	15,407
DUI Treatment Fines	380	0	0	0	0	0	0	380
<u>General Sessions Court</u>								
Fines	88,102	0	0	0	0	0	0	88,102
Officers Costs	34,396	0	0	0	0	0	0	34,396
Drug Control Fines	11,265	0	8,051	0	0	0	0	19,316
Drug Court Fees	6,354	0	0	0	0	0	0	6,354

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service	
<u>Fines, Forfeitures and Penalties (Cont.)</u>								
<u>General Sessions Court (Cont.)</u>								
Jail Fees	\$ 798	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	798
DUI Treatment Fines	6,555	0	0	0	0	0	0	6,555
<u>Juvenile Court</u>								
Fines	4,329	0	0	0	0	0	0	4,329
<u>Chancery Court</u>								
Officers Costs	550	0	0	0	0	0	0	550
<u>Judicial District Drug Program</u>								
Drug Task Force Forfeitures and Seizures	88	0	100,994	0	0	0	0	101,082
Total Fines, Forfeitures and Penalties	\$ 182,527	\$ 0	\$ 119,124	\$ 0	\$ 0	\$ 0	\$ 0	\$ 301,651
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Work Release Charges for Board	\$ 8,630	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	8,630
<u>Fees</u>								
Copy Fees	587	0	0	0	0	0	0	587
Telephone Commissions	17,860	0	0	0	0	0	0	17,860
Vending Machine Collections	2,558	9	0	0	0	0	0	2,567
Constitutional Officers' Fees and Commissions	0	0	0	827,924	0	0	0	827,924
Data Processing Fee - Register	11,566	0	0	0	0	0	0	11,566
Data Processing Fee - Sheriff	12,841	0	0	0	0	0	0	12,841
Sexual Offender Registration Fee	780	0	0	0	0	0	0	780
Total Charges for Current Services	\$ 54,822	\$ 9	\$ 0	\$ 827,924	\$ 0	\$ 0	\$ 0	\$ 882,755
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 28,199	\$ 0	\$ 0	\$ 0	\$ 0	\$ 72,740	\$ 15,054	\$ 115,993
Sale of Materials and Supplies	8,107	0	0	0	0	0	0	8,107
Sale of Recycled Materials	0	23,179	0	0	0	0	0	23,179
Miscellaneous Refunds	18,281	105	350	0	4,158	0	0	22,894
<u>Nonrecurring Items</u>								
Insurance Recovery	3,319	0	0	0	0	0	0	3,319
Sale of Equipment	10,725	0	0	0	0	0	0	10,725

(Continued)

Exhibit K-5

Henderson 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>Other Local Revenues (Cont.)</u>								
<u>Nonrecurring Items (Cont.)</u>								
Damages Recovered from Individuals	\$ 177	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	177
<u>Other Local Revenues</u>								
Other Local Revenues	1,172	0	0	0	0	0	0	1,172
Total Other Local Revenues	\$ 69,980	\$ 23,284	\$ 350	\$ 0	\$ 4,158	\$ 72,740	\$ 15,054	\$ 185,566
<u>Fees Received from County Officials</u>								
<u>Excess Fees</u>								
County Clerk	\$ 10,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	10,000
Clerk and Master	45,000	0	0	0	0	0	0	45,000
Trustee	142,224	0	0	0	0	0	0	142,224
<u>Fees In Lieu of Salary</u>								
Circuit Court Clerk	65,000	0	0	0	0	0	0	65,000
Register	145,122	0	0	0	0	0	0	145,122
Sheriff	9,726	0	0	0	0	0	0	9,726
Total Fees Received from County Officials	\$ 417,072	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 417,072
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 9,405	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	9,405
State Reappraisal Grant	19,744	0	0	0	0	0	0	19,744
<u>Health and Welfare Grants</u>								
Health Department Programs	58,722	0	0	0	0	0	0	58,722
<u>Public Works Grants</u>								
State Aid Program	0	0	0	0	157,557	0	0	157,557
Litter Program	45,482	0	0	0	0	0	0	45,482
<u>Other State Revenues</u>								
Income Tax	10,879	0	0	0	0	0	0	10,879
Beer Tax	16,778	0	0	0	0	0	0	16,778
Alcoholic Beverage Tax	35,920	0	0	0	0	0	0	35,920
Mixed Drink Tax	3,296	0	0	0	0	0	0	3,296
Contracted Prisoner Boarding	134,376	0	0	0	0	0	0	134,376
Gasoline and Motor Fuel Tax	0	0	0	0	1,760,249	0	0	1,760,249

(Continued)

Exhibit K-5

Henderson 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>								
Petroleum Special Tax	\$ 0	\$ 0	\$ 0	\$ 0	20,531	\$ 0	\$ 0	\$ 20,531
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	16,380
Other State Grants	49,009	19,567	0	0	0	0	0	68,576
Other State Revenues	1,376	0	0	0	0	0	0	1,376
Total State of Tennessee	\$ 401,367	\$ 19,567	\$ 0	\$ 0	\$ 1,938,337	\$ 0	\$ 0	\$ 2,359,271
<u>Federal Government</u>								
<u>Federal Through State</u>								
Community Development	\$ 500,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 500,000
Civil Defense Reimbursement	283,073	0	0	0	0	0	0	283,073
Other Federal through State	1,000	0	0	0	0	0	0	1,000
<u>Direct Federal Revenue</u>								
Public Safety Partnership and Community Policing - COPS	131,830	0	0	0	0	0	0	131,830
Total Federal Government	\$ 915,903	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 915,903
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	288,708	\$ 288,708
Contracted Services	138,000	0	0	0	0	0	0	138,000
<u>Other</u>								
Other	71,374	0	0	0	0	0	0	71,374
Total Other Governments and Citizens Groups	\$ 209,374	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	288,708	\$ 498,082
Total	\$ 5,027,393	\$ 314,726	\$ 119,474	\$ 827,924	\$ 2,094,377	\$ 1,982,953	\$ 786,953	\$ 11,153,800

Exhibit K-6

Henderson County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 Discretely Presented Henderson County School Department
 For the Year Ended June 30, 2005

	General Purpose School	School Federal Projects	School Transpor - tation	Education Capital Projects	Other Capital Projects	Total
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 1,639,587	\$ 0	\$ 794,114	\$ 0	\$ 0	\$ 2,433,701
Trustee's Collections - Prior Year	42,238	0	30,391	0	0	72,629
Circuit/Clerk & Master Collections - Prior Years	25,355	0	18,164	0	0	43,519
Interest and Penalty	10,607	0	6,910	0	0	17,517
Payments in Lieu of Taxes - T.V.A.	366	0	0	0	0	366
Payments in Lieu of Taxes - Local Utilities	23,356	0	11,234	0	0	34,590
<u>County Local Option Taxes</u>						
Local Option Sales Tax	2,075,505	0	0	0	0	2,075,505
Wheel Tax	338,532	0	0	0	0	338,532
<u>Statutory Local Taxes</u>						
Bank Excise Tax	25,182	0	12,106	0	0	37,288
Interstate Telecommunications Tax	3,349	0	0	0	0	3,349
Total Local Taxes	\$ 4,184,077	\$ 0	\$ 872,919	\$ 0	\$ 0	\$ 5,056,996
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 2,083	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,083
<u>Permits</u>						
Other Permits	527	0	0	0	0	527
Total Licenses and Permits	\$ 2,610	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,610
<u>Charges for Current Services</u>						
<u>Fees</u>						
Vending Machine Collections	\$ 32	\$ 0	\$ 0	\$ 0	\$ 0	\$ 32
<u>Education Charges</u>						
Tuition - Regular Day Students	500	0	0	0	0	500
Contract for Instructional Services with Other LEA's	81,182	0	0	0	0	81,182
Total Charges for Current Services	\$ 81,714	\$ 0	\$ 0	\$ 0	\$ 0	\$ 81,714
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 0	\$ 42,756	\$ 3,253	\$ 46,009
Miscellaneous Refunds	1,079	0	163	0	0	1,242
<u>Nonrecurring Items</u>						
Sale of Equipment	1,400	0	1,700	0	0	3,100

(Continued)

Exhibit K-6

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

	General Purpose School	School Federal Projects	School Transpor - tation	Education Capital Projects	Other Capital Projects	Total
<u>Other Local Revenues (Cont.)</u>						
<u>Nonrecurring Items (Cont.)</u>						
Contributions & Gifts	\$ 35,865	\$ 0	\$ 0	\$ 0	\$ 0	\$ 35,865
<u>Other Local Revenues</u>						
Other Local Revenues	30,861	0	0	0	0	30,861
Total Other Local Revenues	<u>\$ 69,205</u>	<u>\$ 0</u>	<u>\$ 1,863</u>	<u>\$ 42,756</u>	<u>\$ 3,253</u>	<u>\$ 117,077</u>
<u>State of Tennessee</u>						
<u>State Education Funds</u>						
Basic Education Program	\$ 12,284,682	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,284,682
School Food Service	19,849	0	0	0	0	19,849
Driver Education	16,800	0	0	0	0	16,800
Other State Education Funds	175,954	0	0	0	0	175,954
Career Ladder Program	264,625	0	0	0	0	264,625
Career Ladder - Extended Contract	120,972	0	0	0	0	120,972
<u>Other State Revenues</u>						
Mixed Drink Tax	2,590	0	0	0	0	2,590
State Revenue Sharing - T.V.A.	483,169	0	0	0	0	483,169
Other State Grants	100,748	0	0	0	0	100,748
Total State of Tennessee	<u>\$ 13,469,389</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 13,469,389</u>
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA School Lunch Program	\$ 538,225	\$ 0	\$ 0	\$ 0	\$ 0	\$ 538,225
Breakfast	228,815	0	0	0	0	228,815
Adult Education State Grant Program	109,206	0	0	0	0	109,206
Vocational Education - Basic Grants to States	0	83,099	0	0	0	83,099
Title I Grants to Local Education Agencies	0	514,108	0	0	0	514,108
Innovative Education Program Strategies	0	400	0	0	0	400
Special Education - Grants to States	34,515	680,990	0	0	0	715,505
Special Education Preschool Grants	0	26,445	0	0	0	26,445
Eisenhower Professional Development State Grants	0	162,364	0	0	0	162,364
Other Federal through State	0	12,169	0	0	0	12,169
<u>Direct Federal Revenue</u>						
ROTC Reimbursement	45,386	0	0	0	0	45,386
Total Federal Government	<u>\$ 956,147</u>	<u>\$ 1,479,575</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,435,722</u>

(Continued)

Exhibit K-6

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

	General Purpose School	School Federal Projects	School Transportation	Education Capital Projects	Other Capital Projects	Total
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 345,110	\$ 0	\$ 0	\$ 315,590	\$ 0	\$ 660,700
Total Other Governments and Citizens Groups	\$ 345,110	\$ 0	\$ 0	\$ 315,590	\$ 0	\$ 660,700
Total	\$ 19,108,252	\$ 1,479,575	\$ 874,782	\$ 358,346	\$ 3,253	\$ 21,824,208

Henderson County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2005

General FundGeneral GovernmentCounty Commission

Board and Committee Members Fees	\$	49,200	
Social Security		3,050	
Unemployment Compensation		204	
Employer Medicare		713	
Audit Services		5,838	
Total County Commission			\$ 59,005

Board of Equalization

Board and Committee Members Fees	\$	1,025	
Total Board of Equalization			1,025

County Mayor

County Official/Administrative Officer	\$	60,023	
Secretary(s)		19,250	
Social Security		4,527	
State Retirement		4,552	
Unemployment Compensation		123	
Employer Medicare		1,059	
Communication		4,626	
Legal Notices, Recording and Court Costs		169	
Postal Charges		222	
Travel		1,215	
Office Supplies		664	
Other Charges		460	
Total County Mayor			96,890

County Attorney

Social Security	\$	298	
Employer Medicare		70	
Legal Services		4,800	
Travel		990	
Total County Attorney			6,158

Election Commission

County Official/Administrative Officer	\$	41,574	
Clerical Personnel		19,451	
Part-time Personnel		5,970	
Election Commission		4,205	
Election Workers		11,500	
In-Service Training		2,535	

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Social Security	\$	4,246	
State Retirement		5,895	
Unemployment Compensation		484	
Employer Medicare		993	
Communication		1,208	
Dues and Memberships		175	
Janitorial Services		30	
Legal Services		1,482	
Legal Notices, Recording and Court Costs		2,409	
Maintenance Agreements		809	
Maintenance & Repair Services- Office Equipment		428	
Postal Charges		2,135	
Printing, Stationery and Forms		2,366	
Rentals		7,200	
Other Contracted Services		3,930	
Office Supplies		670	
Other Supplies and Materials		564	
Total Election Commission			\$ 120,259

Register of Deeds

County Official/Administrative Officer	\$	51,969	
Secretary(s)		39,325	
Social Security		5,472	
State Retirement		5,567	
Unemployment Compensation		356	
Employer Medicare		1,280	
Communication		1,874	
Data Processing Services		4,609	
Dues and Memberships		15	
Maintenance Agreements		1,624	
Postal Charges		481	
Office Supplies		4,589	
Other Charges		380	
Office Equipment		2,550	
Total Register of Deeds			120,091

County Buildings

Custodial Personnel	\$	19,000	
Social Security		1,178	
State Retirement		1,835	

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Unemployment Compensation	\$	140	
Employer Medicare		276	
Licenses		210	
Maintenance & Repair Services- Buildings		11,550	
Maintenance & Repair Services- Equipment		4,886	
Pest Control		876	
Custodial Supplies		3,043	
Electricity		23,167	
Gasoline		1,909	
Natural Gas		6,140	
Water and Sewer		3,133	
Building Improvements		3,892	
Total County Buildings			\$ 81,235

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	51,968	
Accountants/Bookkeepers		99,501	
Social Security		8,256	
State Retirement		14,632	
Unemployment Compensation		671	
Employer Medicare		1,931	
Communication		5,618	
Data Processing Services		5,990	
Legal Notices, Recording and Court Costs		548	
Maintenance Agreements		3,120	
Postal Charges		3,000	
Printing, Stationery and Forms		2,381	
Rentals		13,200	
Travel		1,885	
Office Supplies		2,011	
Other Supplies and Materials		671	
Premiums on Corporate Surety Bonds		175	
Other Charges		463	
Office Equipment		13,198	
Total Accounting and Budgeting			229,219

Property Assessor's Office

County Official/Administrative Officer	\$	51,969
Clerical Personnel		40,461

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Social Security	\$	5,386	
State Retirement		6,216	
Unemployment Compensation		280	
Employer Medicare		1,260	
Communication		1,209	
Contracts with Private Agencies		22,560	
Data Processing Services		10,167	
Dues and Memberships		1,161	
Legal Notices, Recording and Court Costs		19	
Maintenance Agreements		2,883	
Postal Charges		298	
Printing, Stationery and Forms		1,396	
Travel		1,440	
Office Supplies		836	
Premiums on Corporate Surety Bonds		100	
Other Charges		93	
Office Equipment		1,793	
Total Property Assessor's Office			\$ 149,527

Reappraisal Program

Part-time Personnel	\$	17,462	
Other Salaries & Wages		24,843	
Social Security		2,607	
State Retirement		2,383	
Unemployment Compensation		448	
Employer Medicare		610	
Data Processing Services		7,058	
Postal Charges		278	
Travel		2,640	
Total Reappraisal Program			58,329

County Trustee's Office

Communication	\$	1,537	
Data Processing Services		3,812	
Legal Notices, Recording and Court Costs		282	
Maintenance Agreements		365	
Postal Charges		5,353	
Printing, Stationery and Forms		1,386	
Office Supplies		1,445	
Office Equipment		15,017	
Total County Trustee's Office			29,197

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office

Communication	\$	3,062	
Data Processing Services		2,452	
Legal Notices, Recording and Court Costs		167	
Postal Charges		4,000	
Rentals		2,596	
Office Supplies		2,188	
Office Equipment		13,785	
Total County Clerk's Office			\$ 28,250

Administration of Justice

Circuit Court

Part-time Personnel	\$	2,173	
Other Salaries & Wages		12,581	
Board and Committee Members Fees		225	
Social Security		879	
State Retirement		503	
Unemployment Compensation		172	
Employer Medicare		206	
Communication		3,426	
Dues and Memberships		422	
Legal Notices, Recording and Court Costs		185	
Maintenance Agreements		4,078	
Maintenance & Repair Services- Office Equipment		105	
Postal Charges		2,220	
Remittance of Revenue Collected		6,678	
Office Supplies		7,981	
Total Circuit Court			41,834

General Sessions Court

Judge(s)	\$	80,973	
Secretary(s)		22,100	
Social Security		6,133	
State Retirement		5,767	
Unemployment Compensation		125	
Employer Medicare		1,434	
Communication		1,366	
Dues and Memberships		50	
Office Supplies		492	
Office Equipment		399	
Total General Sessions Court			118,839

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court

Communication	\$	2,192	
Data Processing Services		4,526	
Dues and Memberships		422	
Legal Notices, Recording and Court Costs		2,705	
Maintenance Agreements		1,151	
Maintenance & Repair Services- Office Equipment		319	
Postal Charges		1,665	
Office Supplies		4,759	
Office Equipment		1,000	
Total Chancery Court			\$ 18,739

Juvenile Court

Guidance Personnel	\$	28,016	
Part-time Personnel		1,166	
In-Service Training		20	
Social Security		1,697	
State Retirement		2,819	
Unemployment Compensation		140	
Employer Medicare		397	
Communication		1,784	
Contracts with Other Public Agencies		920	
Travel		1,051	
Office Supplies		638	
Total Juvenile Court			38,648

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	57,165	
Deputy(ies)		620,912	
Clerical Personnel		41,594	
In-Service Training		7,284	
Social Security		43,796	
State Retirement		56,291	
Unemployment Compensation		3,838	
Employer Medicare		10,130	
Communication		21,495	
Dues and Memberships		20	
Legal Notices, Recording and Court Costs		405	
Maintenance Agreements		7,636	
Maintenance & Repair Services- Equipment		8,216	

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Maintenance & Repair Services- Vehicles	\$	12,183	
Postal Charges		3,040	
Tow-in Services		370	
Travel		3,269	
Gasoline		52,909	
Office Supplies		6,112	
Tires and Tubes		2,057	
Uniforms		7,843	
Other Charges		1,485	
Motor Vehicles		253,012	
Office Equipment		62,267	
Total Sheriff's Department			\$ 1,283,329

Workhouse

Guards	\$	178,762	
Cafeteria Personnel		13,897	
Part-time Personnel		2,664	
Social Security		11,876	
State Retirement		11,435	
Unemployment Compensation		2,062	
Employer Medicare		2,778	
Contracts with Government Agencies		1,730	
Maintenance Agreements		11,077	
Maintenance & Repair Services- Buildings		13,611	
Maintenance & Repair Services- Equipment		4,195	
Medical and Dental Services		46,935	
Pest Control		444	
Custodial Supplies		11,080	
Drugs and Medical Supplies		25,298	
Electricity		14,045	
Food Supplies		52,241	
Natural Gas		3,763	
Water and Sewer		9,570	
Furniture and Fixtures		214	
Total Workhouse			417,677

Fire Prevention and Control

County Official/Administrative Officer	\$	34,807
Assistant(s)		22,975
Salary Supplements		720

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

Part-time Personnel	\$	600	
In-Service Training		1,929	
Social Security		3,519	
State Retirement		5,651	
Unemployment Compensation		280	
Employer Medicare		823	
Communication		2,980	
Dues and Memberships		200	
Fiscal Agent Charges		286	
Maintenance & Repair Services- Buildings		278	
Maintenance & Repair Services- Equipment		14,220	
Maintenance & Repair Services- Vehicles		10,823	
Postal Charges		395	
Drugs and Medical Supplies		237	
Gasoline		8,237	
Instructional Supplies and Materials		349	
Office Supplies		1,035	
Uniforms		378	
Utilities		1,570	
Other Supplies and Materials		541	
Motor Vehicles		4,000	
Other Equipment		234,559	
Total Fire Prevention and Control			\$ 351,392

Rescue Squad

Contributions	\$	10,000	
Total Rescue Squad			10,000

Disaster Relief

County Official/Administrative Officer	\$	3,134	
Part-time Personnel		6,974	
Social Security		614	
State Retirement		303	
Unemployment Compensation		146	
Employer Medicare		144	
Travel		727	
Office Supplies		13	
Total Disaster Relief			12,055

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management

Supervisor/Director	\$	3,317	
Social Security		206	
State Retirement		145	
Unemployment Compensation		66	
Employer Medicare		48	
Total Other Emergency Management			\$ 3,782

County Coroner/Medical Examiner

Other Per Diem & Fees	\$	37,100	
Ambulance Services		2,015	
Total County Coroner/Medical Examiner			39,115

Other Public Safety

County Official/Administrative Officer	\$	30,763	
Supervisor/Director		1,200	
Dispatchers/Radio Operators		115,071	
Clerical Personnel		25,792	
Part-time Personnel		34,679	
In-Service Training		729	
Social Security		12,698	
State Retirement		16,579	
Medical Insurance		15,897	
Unemployment Compensation		1,579	
Employer Medicare		2,970	
Maintenance Agreements		2,176	
Maintenance & Repair Services- Equipment		445	
Other Equipment		272,158	
Total Other Public Safety			532,736

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	4,329	
Other Salaries & Wages		45,458	
Social Security		2,769	
State Retirement		4,340	
Unemployment Compensation		328	
Employer Medicare		648	
Communication		4,630	
Maintenance & Repair Services- Buildings		1,293	
Maintenance & Repair Services- Equipment		65	

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Postal Charges	\$	3,297	
Travel		1,920	
Other Contracted Services		1,045	
Custodial Supplies		1,464	
Drugs and Medical Supplies		1,754	
Office Supplies		1,822	
Utilities		6,143	
Office Equipment		<u>330</u>	
Total Local Health Center			\$ 81,635

Other Local Health Services

Contributions	\$	<u>4,000</u>	
Total Other Local Health Services			4,000

Appropriation to State

Contracts with Government Agencies	\$	<u>8,789</u>	
Total Appropriation to State			8,789

General Welfare Assistance

Contracts with Government Agencies	\$	<u>5,125</u>	
Total General Welfare Assistance			5,125

Aid to Dependent Children

Other Charges	\$	<u>209</u>	
Total Aid to Dependent Children			209

Waste Pickup

Supervisor/Director	\$	12,800	
Part-time Personnel		19,324	
Social Security		2,565	
State Retirement		2,548	
Unemployment Compensation		284	
Employer Medicare		600	
Advertising		2,385	
Communication		518	
Maintenance & Repair Services- Vehicles		632	
Printing, Stationery and Forms		2,331	
Gasoline		2,706	
Instructional Supplies and Materials		2,333	
Tires and Tubes		316	

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Waste Pickup (Cont.)

Other Supplies and Materials	\$	1,583	
Other Charges		945	
Total Waste Pickup			\$ 51,870

Social, Cultural and Recreational Services

Adult Activities

Contributions	\$	5,807	
Total Adult Activities			5,807

Senior Citizens Assistance

Contributions	\$	17,500	
Total Senior Citizens Assistance			17,500

Libraries

Contributions	\$	32,500	
Utilities		3,989	
Building and Contents Insurance		3,011	
Total Libraries			39,500

Other Social, Cultural and Recreational

Contributions	\$	11,360	
Total Other Social, Cultural and Recreational			11,360

Agriculture & Natural Resources

Agriculture Extension Service

Assistant(s)	\$	14,724	
Supervisor/Director		17,229	
Secretary(s)		5,910	
Other Salaries & Wages		5,738	
Communication		3,839	
Maintenance Agreements		4,870	
Postal Charges		136	
Custodial Supplies		1,578	
Utilities		4,200	
Total Agriculture Extension Service			58,224

Soil Conservation

Secretary(s)	\$	12,111	
Social Security		739	
State Retirement		1,167	

(Continued)

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

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Soil Conservation (Cont.)

Unemployment Compensation	\$	141	
Employer Medicare		173	
Contributions		2,250	
Dues and Memberships		750	
Total Soil Conservation			\$ 17,331

Flood Control

Contributions	\$	4,752	
Other Contracted Services		1,538	
Total Flood Control			6,290

Other Operations

Tourism

Contributions	\$	7,000	
Total Tourism			7,000

Industrial Development

Contributions	\$	7,000	
Total Industrial Development			7,000

Veterans' Services

Supervisor/Director	\$	7,837	
Secretary(s)		18,000	
In-Service Training		607	
Social Security		1,444	
State Retirement		2,496	
Unemployment Compensation		292	
Employer Medicare		338	
Communication		966	
Postal Charges		418	
Office Supplies		530	
Total Veterans' Services			32,928

Other Charges

Building and Contents Insurance	\$	25,272	
Liability Insurance		74,679	
Vehicle and Equipment Insurance		82,122	
Workers' Compensation Insurance		35,371	
Total Other Charges			217,444

(Continued)

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

General Fund (Cont.)

Other Operations (Cont.)

Employee Benefits

Social Security	\$	6,461	
State Retirement		62,763	
Medical Insurance		76,608	
Total Employee Benefits			\$ 145,832

Payments to Cities

Rentals	\$	19,813	
Total Payments to Cities			19,813

Miscellaneous

Dues and Memberships	\$	8,631	
Legal Services		3,685	
Maintenance Agreements		4,716	
Road Signs		1,171	
Premiums on Corporate Surety Bonds		746	
Trustee's Commission		52,491	
Other Charges		518,299	
Airport Improvement		150,000	
Total Miscellaneous			739,739

Principal

General Government

Principal on Notes	\$	45,000	
Total General Government			45,000

Interest

General Government

Interest on Notes	\$	27,659	
Total General Government			27,659

Total General Fund \$ 5,397,386

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Education/Information

Supervisor/Director	\$	11,078	
Part-time Personnel		59,124	
Social Security		3,694	
State Retirement		2,009	
Employer Medicare		857	

(Continued)

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Education/Information (Cont.)

Communication	\$	4,387	
Contracts with Private Agencies		119,271	
Legal Notices, Recording and Court Costs		608	
Maintenance Agreements		365	
Maintenance & Repair Services- Equipment		7,018	
Maintenance & Repair Services- Vehicles		227	
Travel		829	
Office Supplies		113	
Tires and Tubes		21,291	
Utilities		4,872	
Other Supplies and Materials		624	
Trustee's Commission		5,330	
Landfill Closure/Postclosure Care Costs		3,064	
Other Charges		3,114	
Motor Vehicles		4,450	
Other Equipment		189,020	
Total Sanitation Education/Information			\$ 441,345

Total Solid Waste/Sanitation Fund \$ 441,345

Drug Control Fund

Public Safety

Drug Enforcement

Part-time Personnel	\$	1,778	
Other Salaries & Wages		11,428	
In-Service Training		923	
Confidential Drug Enforcement Payments		4,900	
Maintenance & Repair Services- Equipment		4,645	
Maintenance & Repair Services- Vehicles		6,769	
Tow-in Services		1,270	
Office Supplies		860	
Tires and Tubes		432	
Uniforms		9,024	
Trustee's Commission		193	
Other Charges		31,765	
Motor Vehicles		4,979	
Other Equipment		23,230	
Total Drug Enforcement			\$ 102,196

Total Drug Control Fund 102,196

(Continued)

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

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$ 143,852	
Total County Trustee's Office		\$ 143,852

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 154,282	
Total County Clerk's Office		154,282

Administration of Justice

Circuit Court Clerk

Constitutional Officers' Operating Expenses	\$ 312,843	
Total Circuit Court Clerk		312,843

Chancery Court

Constitutional Officers' Operating Expenses	\$ 176,682	
Total Chancery Court		<u>176,682</u>

Total Constitutional Officers - Fees Fund		\$ 787,659
---	--	------------

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 57,165	
Secretary(s)	20,133	
Social Security	5,593	
State Retirement	4,509	
Medical Insurance	4,564	
Unemployment Compensation	210	
Employer Medicare	285	
Dues and Memberships	2,128	
Legal Notices, Recording and Court Costs	311	
Maintenance & Repair Services- Office Equipment	900	
Office Supplies	814	
Premiums on Corporate Surety Bonds	350	
Other Charges	<u>1,190</u>	
Total Administration		\$ 98,152

Highway and Bridge Maintenance

Foremen	\$ 27,061
Equipment Operators	216,286
Truck Drivers	128,475

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Laborers	\$	122,576	
Overtime Pay		241	
Social Security		30,240	
State Retirement		35,093	
Medical Insurance		115	
Unemployment Compensation		6,214	
Employer Medicare		7,072	
Medical and Dental Services		1,071	
Asphalt - Cold Mix		13,105	
Asphalt - Liquid		208,298	
Crushed Stone		228,011	
Pipe		60,238	
Road Signs		282	
Wood Products		3,237	
Total Highway and Bridge Maintenance			\$ 1,087,615

Operation and Maintenance of Equipment

Foremen	\$	30,233	
Mechanic(s)		22,616	
Social Security		3,277	
Medical Insurance		9,143	
Unemployment Compensation		420	
Employer Medicare		766	
Laundry Service		3,183	
Maintenance & Repair Services- Equipment		6,724	
Diesel Fuel		132,913	
Equipment and Machinery Parts		112,275	
Gasoline		19,881	
Lubricants		11,015	
Tires and Tubes		36,284	
Other Supplies and Materials		1,008	
Total Operation and Maintenance of Equipment			389,738

Other Charges

Communication	\$	4,152	
Maintenance & Repair Services- Buildings		750	
Electricity		5,485	
Natural Gas		3,097	
Water and Sewer		447	
Liability Insurance		38,254	

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges (Cont.)

Trustee's Commission	\$ 20,709	
Workers' Compensation Insurance	<u>30,957</u>	
Total Other Charges		\$ 103,851

Employee Benefits

Employee and Dependent Insurance	\$ <u>149,235</u>	
Total Employee Benefits		149,235

Capital Outlay

Bridge Construction	\$ 2,100	
Highway Equipment	27,666	
Right-of-Way	1,000	
State Aid Projects	213,529	
Other Construction	<u>86,139</u>	
Total Capital Outlay		<u>330,434</u>

Total Highway/Public Works Fund \$ 2,159,025

General Debt Service Fund

Principal

General Government

Principal on Notes	\$ <u>588,333</u>	
Total General Government		\$ 588,333

Education

Principal on Bonds	\$ 575,000	
Principal on Notes	<u>421,667</u>	
Total Education		996,667

Interest

General Government

Interest on Notes	\$ <u>36,534</u>	
Total General Government		36,534

Education

Interest on Bonds	\$ 753,963	
Interest on Notes	<u>106,659</u>	
Total Education		860,622

(Continued)

Exhibit K-7

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

General Debt Service Fund (Cont.)

Other Debt Service

General Government

Fiscal Agent Charges	\$	286	
Trustee's Commission		38,229	
Other Debt Issuance Charges		<u>1,875</u>	
Total General Government			\$ 40,390

Education

Fiscal Agent Charges	\$	3,824	
Other Debt Issuance Charges		<u>13,125</u>	
Total Education			<u>16,949</u>

Total General Debt Service Fund \$ 2,539,495

Rural Debt Service Fund

Principal

Education

Principal on Bonds	\$	<u>380,000</u>	
Total Education			\$ 380,000

Interest

Education

Interest on Bonds	\$	<u>302,108</u>	
Total Education			302,108

Other Debt Service

Education

Fiscal Agent Charges	\$	888	
Trustee's Commission		<u>4,943</u>	
Total Education			<u>5,831</u>

Total Rural Debt Service Fund 687,939

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Contributions	\$	<u>791,018</u>	
Total Education Capital Projects			<u>\$ 791,018</u>

Total Education Capital Projects Fund 791,018

Total Governmental Funds - Primary Government \$ 12,906,063

Henderson County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Henderson County School Department
For the Year Ended June 30, 2005

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 6,363,875	
Career Ladder Program	132,555	
Career Ladder Extended Contracts	51,526	
Homebound Teachers	4,911	
Clerical Personnel	268,668	
Educational Assistants	124,001	
Other Salaries & Wages	97,425	
Certified Substitute Teachers	119,631	
Social Security	420,089	
State Retirement	392,978	
Life Insurance	450	
Medical Insurance	588,166	
Employer Medicare	98,171	
Maintenance & Repair Services- Equipment	8,679	
Tuition	31,427	
Instructional Supplies and Materials	75,092	
Textbooks	64,930	
Other Supplies and Materials	19,558	
Other Charges	36,000	
Regular Instruction Equipment	178,291	
Total Regular Instruction Program		\$ 9,076,423

Alternative Instruction Program

Educational Assistants	\$ 13,179	
Social Security	676	
State Retirement	1,273	
Medical Insurance	2,564	
Employer Medicare	158	
Total Alternative Instruction Program		17,850

Special Education Program

Teachers	\$ 1,034,843	
Career Ladder Program	18,900	
Career Ladder Extended Contracts	6,000	
Homebound Teachers	3,583	
Educational Assistants	178,611	
Other Salaries & Wages	21,883	
Certified Substitute Teachers	27,752	
Social Security	73,191	

(Continued)

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

State Retirement	\$	73,720	
Medical Insurance		94,192	
Employer Medicare		17,117	
Contracts with Private Agencies		59,678	
Maintenance & Repair Services- Equipment		472	
Instructional Supplies and Materials		14,176	
Special Education Equipment		10,621	
Total Special Education Program			\$ 1,634,739

Vocational Education Program

Teachers	\$	788,701	
Career Ladder Program		23,000	
Career Ladder Extended Contracts		14,000	
Certified Substitute Teachers		12,700	
Social Security		49,348	
State Retirement		44,497	
Medical Insurance		46,257	
Employer Medicare		11,541	
Instructional Supplies and Materials		24,411	
Vocational Instruction Equipment		79,869	
Total Vocational Education Program			1,094,324

Adult Education Program

Teachers	\$	21,444	
Other Salaries & Wages		32,673	
Social Security		3,214	
State Retirement		3,303	
Medical Insurance		2,948	
Employer Medicare		752	
Instructional Supplies and Materials		912	
Other Supplies and Materials		3,995	
Other Charges		1,726	
Total Adult Education Program			70,967

Support Services

Attendance

Supervisor/Director	\$	48,493	
Career Ladder Program		2,000	
Career Ladder Extended Contracts		2,000	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

Social Security	\$	3,142	
State Retirement		2,887	
Medical Insurance		2,903	
Employer Medicare		735	
Travel		2,198	
Total Attendance			\$ 64,358

Health Services

Medical Personnel	\$	172,415	
Social Security		10,271	
State Retirement		14,846	
Medical Insurance		12,574	
Employer Medicare		2,362	
Travel		1,765	
Other Supplies and Materials		5,286	
In Service/Staff Development		355	
Total Health Services			219,874

Other Student Support

Career Ladder Program	\$	7,000	
Guidance Personnel		307,599	
Social Security		19,535	
State Retirement		18,835	
Medical Insurance		38,800	
Employer Medicare		4,569	
Evaluation and Testing		16,293	
Travel		7,068	
Other Charges		2,000	
Total Other Student Support			421,699

Regular Instruction Program

Supervisor/Director	\$	119,279	
Career Ladder Program		10,500	
Librarians		333,779	
Instructional Computer Personnel		45,760	
Other Salaries & Wages		17,826	
Social Security		28,884	
State Retirement		26,044	
Medical Insurance		40,897	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Employer Medicare	\$	6,755	
Travel		5,064	
Library Books/Media		29,850	
Other Supplies and Materials		772	
In Service/Staff Development		7,223	
Other Charges		625	
Total Regular Instruction Program			\$ 673,258

Alternative Instruction Program

Supervisor/Director	\$	55,078	
Career Ladder Program		1,000	
Social Security		3,477	
State Retirement		3,084	
Employer Medicare		813	
Travel		316	
Other Supplies and Materials		83	
Total Alternative Instruction Program			63,851

Special Education Program

Supervisor/Director	\$	57,090	
Career Ladder Program		2,000	
Psychological Personnel		34,696	
Career Ladder Extended Contracts		2,000	
Assessment Personnel		38,079	
Other Salaries & Wages		46,575	
Social Security		9,993	
State Retirement		9,918	
Medical Insurance		26,105	
Employer Medicare		2,337	
Travel		11,347	
Other Supplies and Materials		3,522	
In Service/Staff Development		4,000	
Other Charges		8,845	
Other Equipment		3,431	
Total Special Education Program			259,938

Vocational Education Program

Supervisor/Director	\$	28,674	
Career Ladder Program		2,000	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program (Cont.)

Social Security	\$	1,845	
State Retirement		1,687	
Medical Insurance		1,199	
Employer Medicare		432	
Travel		4,494	
Other Charges		60	
Total Vocational Education Program			\$ 40,391

Adult Programs

Supervisor/Director	\$	49,951	
Social Security		2,998	
State Retirement		2,747	
Medical Insurance		2,446	
Employer Medicare		701	
Travel		4,314	
Total Adult Programs			63,157

Board of Education

Board and Committee Members Fees	\$	9,600	
Social Security		595	
Unemployment Compensation		20,784	
Employer Medicare		139	
Audit Services		8,280	
Dues and Memberships		10,530	
Legal Services		12,812	
Travel		1,787	
Judgments		1,919	
Trustee's Commission		102,820	
Workers' Compensation Insurance		141,122	
In Service/Staff Development		855	
Criminal Investigation of Applicants - TBI		59	
Other Charges		23,674	
Total Board of Education			334,976

Director of Schools

County Official/Administrative Officer	\$	82,102	
Career Ladder Program		1,000	
In-Service Training		1,057	
Social Security		4,808	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

State Retirement	\$	4,571	
Medical Insurance		5,897	
Employer Medicare		1,124	
Communication		13,367	
Dues and Memberships		1,839	
Postal Charges		3,331	
Travel		2,805	
Other Charges		80	
Total Director of Schools			\$ 121,981

Office of the Principal

Principals	\$	457,998	
Career Ladder Program		15,000	
Career Ladder Extended Contracts		8,000	
Assistant Principals		164,559	
Social Security		37,595	
State Retirement		35,506	
Medical Insurance		53,032	
Employer Medicare		8,792	
Communication		8,091	
Dues and Memberships		8,750	
Other Contracted Services		15,800	
Other Supplies and Materials		1,017	
Administration Equipment		1,831	
Total Office of the Principal			815,971

Fiscal Services

Clerical Personnel	\$	44,845	
Social Security		2,382	
State Retirement		4,332	
Medical Insurance		8,508	
Employer Medicare		557	
Other Contracted Services		1,009	
Office Supplies		3,622	
Other Charges		17,545	
Total Fiscal Services			82,800

Operation of Plant

Custodial Personnel	\$	353,970	
---------------------	----	---------	--

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Social Security	\$	20,589	
State Retirement		24,198	
Medical Insurance		37,420	
Employer Medicare		4,815	
Janitorial Services		58,706	
Disposal Fees		11,105	
Other Contracted Services		33,759	
Custodial Supplies		29,690	
Electricity		473,716	
Natural Gas		207,371	
Water and Sewer		57,663	
Building and Contents Insurance		77,424	
Principal on Capitalized Leases		82,245	
Interest on Capitalized Leases		5,331	
Total Operation of Plant			\$ 1,478,002

Maintenance of Plant

Supervisor/Director	\$	26,922	
Maintenance Personnel		65,752	
Social Security		5,369	
State Retirement		8,952	
Medical Insurance		8,022	
Employer Medicare		1,256	
Maintenance & Repair Services- Buildings		12,796	
Maintenance & Repair Services- Equipment		38,772	
Maintenance & Repair Services- Vehicles		4,417	
Other Contracted Services		20,990	
Other Supplies and Materials		40,122	
Other Charges		10,000	
Administration Equipment		15,000	
Maintenance Equipment		9,339	
Total Maintenance of Plant			267,709

Central and Other

Operating Lease Payments	\$	20,003	
Total Central and Other			20,003

(Continued)

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	26,719	
Clerical Personnel		8,849	
In-Service Training		2,365	
State Retirement		51,104	
Medical Insurance		66,193	
Payments to Schools - Breakfast		228,815	
Payments to Schools - Lunch		538,225	
Travel		2,444	
Food Service Equipment		36,462	
Total Food Service			\$ 961,176

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	162,833	
Land		7,000	
Total Regular Capital Outlay			169,833

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	288,708	
Total Education			<u>288,708</u>

Total General Purpose School Fund \$ 18,241,988

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	378,763	
Educational Assistants		72,485	
Certified Substitute Teachers		17,478	
Social Security		26,338	
State Retirement		23,345	
Medical Insurance		52,562	
Employer Medicare		6,160	
Instructional Supplies and Materials		17,603	
Other Charges		10,310	
Regular Instruction Equipment		15,691	
Total Regular Instruction Program			\$ 620,735

(Continued)

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program

Teachers	\$	22,871	
Clerical Personnel		14,975	
Educational Assistants		189,382	
Other Salaries & Wages		117,410	
Social Security		20,254	
State Retirement		19,715	
Medical Insurance		20,030	
Employer Medicare		4,737	
Contracts with Private Agencies		58,538	
Maintenance & Repair Services- Equipment		6,344	
Instructional Supplies and Materials		31,770	
Other Supplies and Materials		11,095	
Other Charges		28,315	
Special Education Equipment		143,953	
Total Special Education Program			\$ 689,389

Vocational Education Program

Travel	\$	2,794	
Instructional Supplies and Materials		28,023	
Total Vocational Education Program			30,817

Support Services

Health Services

Other Charges	\$	710	
Total Health Services			710

Other Student Support

Travel	\$	2,615	
In Service/Staff Development		3,543	
Other Charges		3,891	
Total Other Student Support			10,049

Regular Instruction Program

Supervisor/Director	\$	28,674	
Secretary(s)		14,975	
Social Security		2,549	
State Retirement		3,024	
Medical Insurance		2,812	
Employer Medicare		596	

(Continued)

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Travel	\$	9,564	
Other Supplies and Materials		15,030	
In Service/Staff Development		59,433	
Other Equipment		1,472	
Total Regular Instruction Program			\$ 138,129

Special Education Program

Secretary(s)	\$	17,683	
Social Security		1,096	
Employer Medicare		256	
Travel		16,735	
Total Special Education Program			35,770

Total School Federal Projects Fund \$ 1,525,599

School Transportation Fund

Support Services

Board of Education

Trustee's Commission	\$	17,112	
Total Board of Education			\$ 17,112

Transportation

Supervisor/Director	\$	11,777	
Bus Drivers		44,595	
Social Security		3,515	
State Retirement		1,138	
Employer Medicare		822	
Communication		4,651	
Contracts with Vehicle Owners		627,296	
Maintenance & Repair Services- Vehicles		13,612	
Travel		595	
Other Contracted Services		3,960	
Diesel Fuel		12,102	
Lubricants		95	
Tires and Tubes		889	
Vehicle and Equipment Insurance		54,096	
Other Charges		5,388	
Transportation Equipment		51,096	
Total Transportation			835,627

Total School Transportation Fund 852,739

(Continued)

Exhibit K-8

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

<u>Education Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Education Capital Projects</u>			
Trustee's Commission	\$	407	
Building Construction		<u>2,436,122</u>	
Total Education Capital Projects			\$ <u>2,436,529</u>
Total Education Capital Projects Fund			\$ 2,436,529
<u>Other Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Education Capital Projects</u>			
Trustee's Commission	\$	30	
Building Construction		<u>125,794</u>	
Total Education Capital Projects			\$ <u>125,824</u>
Total Other Capital Projects Fund			<u>125,824</u>
Total Governmental Funds - Henderson County School Department			<u>\$ 23,182,679</u>

Exhibit K-9

Henderson County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balances - City Agency Funds
For the Year Ended June 30, 2005

	Cities - Sales Tax Fund	City School ADA - Lexington Fund	Total (Memorandum Only)
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 449,329	\$ 449,329
Trustee's Collections - Prior Year	0	12,344	12,344
Circuit/Clerk and Master Collections - Prior Years	0	6,922	6,922
Interest and Penalty	0	2,821	2,821
Payments in Lieu of Taxes - Local Utilities	0	6,352	6,352
Local Option Sales Tax	2,655,145	677,969	3,333,114
Wheel Tax	0	93,100	93,100
Bank Excise Tax	0	6,875	6,875
Interstate Telecommunications Tax	0	897	897
Marriage Licenses	0	567	567
Other Permits	0	31	31
Miscellaneous Refunds	0	200	200
Mixed Drink Tax	0	699	699
Contributions	0	130,318	130,318
Total Cash Receipts	<u>\$ 2,655,145</u>	<u>\$ 1,388,424</u>	<u>\$ 4,043,569</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 2,628,593	\$ 1,247,240	\$ 3,875,833
Trustee's Commission	26,552	17,261	43,813
Total Cash Disbursements	<u>\$ 2,655,145</u>	<u>\$ 1,264,501</u>	<u>\$ 3,919,646</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0	\$ 123,923	\$ 123,923
Cash Balance, July 1, 2004	0	88,862	88,862
Cash Balance, June 30, 2005	<u>\$ 0</u>	<u>\$ 212,785</u>	<u>\$ 212,785</u>

STATISTICAL SECTION

Table 1

Henderson County, Tennessee
Uncollected Taxes Filed in Chancery Court
June 30, 2005

<u>Year</u>	<u>Amount</u>
1995	\$ 610
1998	608
1999	167
2000	1,505
2001	302
2002	4,570
2003	<u>80,132</u>
Total	<u>\$ 87,894</u>

Table 2

Henderson County, Tennessee
Tax Rates and Assessments
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	\$ 0.65	\$ 0.61	\$ 0.62	\$ 0.60	\$ 0.553	\$ 0.553	\$ 0.563	\$ 0.563	\$ 0.563	0.723
Solid Waste/Sanitation	0.00	0.00	0.00	0.09	0.080	0.080	0.080	0.080	0.080	0.090
Highway/Public Works	0.08	0.07	0.06	0.06	0.050	0.050	0.050	0.050	0.050	0.050
General Purpose School	0.90	0.00	0.00	0.05	0.041	0.090	0.350	0.510	0.510	0.760
School Transportation	0.41	0.36	0.36	0.35	0.286	0.287	0.287	0.287	0.287	0.287
General Debt Service	0.00	0.72	0.72	0.71	0.600	0.600	0.640	0.640	0.640	0.630
Total Tax Rates	\$ 2.04	\$ 1.76	\$ 1.76	\$ 1.86	\$ 1.610	\$ 1.660	\$ 1.970	\$ 2.130	\$ 2.130	2.540
<u>Assessed Valuation</u>										
Real and Personal	\$ 138,595,710	\$ 167,240,605	\$ 181,026,889	\$ 190,564,450	\$ 234,299,489	\$ 247,561,212	\$ 253,495,226	\$ 264,044,600	\$ 276,932,904	\$ 284,943,258
Public Utilities	8,030,855	9,254,824	8,977,251	8,599,310	9,537,378	10,164,703	9,664,783	9,788,080	9,574,794	9,067,916
Total Assessed Valuation	\$ 146,626,565	\$ 176,495,429	\$ 190,004,140	\$ 199,163,760	\$ 243,836,867	\$ 257,725,915	\$ 263,160,009	\$ 273,832,680	\$ 286,507,698	\$ 294,011,174

SINGLE AUDIT SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
PHONE (615) 401-7841

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

October 26, 2005

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henderson County, Tennessee, as of and for the year ended June 30, 2005, which collectively comprise Henderson County's basic financial statements and have issued our report thereon dated October 26, 2005. Our report was qualified due to not including the financial statements of the Henderson County Emergency Communications District, which were not available from other auditors as of the date of this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Henderson County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Henderson County's ability to record, process, summarize, and report financial data consistent with the assertions of

management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05.01, 05.04, 05.05, 05.06, 05.10, and 05.13.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

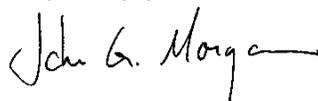
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Henderson 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 which are described in the accompanying Schedule of Findings and Questioned Costs as items 05.02, 05.03, 05.07, 05.08, 05.09, 05.11, and 05.12.

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

This report is intended solely for the information and use of the Board of County Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/rd



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
PHONE (615) 401-7841

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

October 26, 2005

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Henderson County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Henderson 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 Henderson County's management. Our responsibility is to express an opinion on Henderson 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 auditing 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 Henderson 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 on Henderson County's compliance with those requirements.

In our opinion, Henderson County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Henderson County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Henderson County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henderson County, Tennessee, as of and for the year ended June 30, 2005, and have issued our report thereon dated October 26, 2005. Our report was qualified due to not including the financial statements of the Henderson County Emergency Communications District which were not available from other auditors as of the date of this report. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/rd

Henderson County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2005

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	\$ 86,450
Passed through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 228,815
National School Lunch Program	10.555	N/A	\$ 538,225
Total Passed through State Department of Education			<u>\$ 767,040</u>
Total U.S. Department of Agriculture			<u>\$ 853,490</u>
U.S. Department of Housing and Urban Development:			
Passed through State Department of Economic and Community Development:			
Community Development Block Grants/State Program	14.228	(2)	\$ 500,000
Total U.S. Department of Housing and Urban Development			<u>\$ 500,000</u>
U.S. Department of Justice:			
Direct Federal Program:			
Public Safety Partnership and Community Policing Grants	16.710	N/A	\$ 131,830
Passed through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(2)	9,405
Total U.S. Department of Justice			<u>\$ 141,235</u>
U.S. Department of Labor:			
Passed through State Department of Labor and Workforce Development:			
WIA Incentive Grants - Section 503 Grants to States	17.267	Z0402563001	\$ 2,699
Total U. S. Department of Labor			<u>\$ 2,699</u>
U. S. Department of Education:			
Passed through State Department of Education:			
Adult Education - State Grant Program	84.002	Z0502222800	\$ 73,285
Title I Grants to Local Educational Agencies	84.010	N/A	572,007
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	733,392
Special Education - Preschool Grants	84.173	N/A	26,445
Vocational Education - Basic Grants to States	84.048	N/A	37,299
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	15,466
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	GG000820204	65,648
State Grants for Innovative Programs	84.298	N/A	1,158
Education Technology State Grants	84.318	(2)	8,019
Improving Teacher Quality State Grants	84.367	N/A	172,306
Total U. S. Department of Education			<u>\$ 1,705,025</u>
U.S. Department of Health and Human Services:			
Passed through State Department of Education:			
Temporary Assistance for Needy Families	93.558	Z0502232000	\$ 23,222
Passed through State Department of Health:			
Block Grants for Prevention and Treatment of Substance Abuse	93.559	Z0502079500	35,100
Total U.S. Department of Health and Human Services			<u>\$ 58,322</u>

(Continued)

Henderson 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 Homeland Security:			
Passed through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z0402245300	\$ 124,688 (3)
State Domestic Preparedness Equipment Support Program	97.004	Z0402010500	76,566 (3)
Public Assistance Grants	97.036	Z0301789100	30,000
Emergency Management Performance Grants	97.042	Z0502541200	12,882
Pre-Disaster Mitigation Program	97.047	GG030990500	38,937
Total U.S. Department of Homeland Security			<u>\$ 283,073</u>
Total Expenditures of Federal Awards			<u>\$ 3,543,844</u>
State Grants:			
Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 19,744
Litter Program - State Department of Transportation	N/A	(2)	45,482
Volunteer Fire Assistance Grant Program - State Department of Agriculture	N/A	(2)	2,500
Disaster Recovery Grant - State Housing Development Agency	N/A	(2)	16,509
Rural Dispatcher Grant	N/A	DG040186101	30,000
Waste Tire Options Grant - State Department of Environment and Conservation	N/A	(2)	19,567
Family Preservation and Support Services (Family Resource Center) - State Department of Education	N/A	Z052139300	33,300
Total State Grants			<u>\$ 167,102</u>

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total State Domestic Preparedness Equipment Support Program (CFDA Number 97.004) from the U.S. Department of Homeland Security \$201,254.

Henderson County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2005

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 Henderson County, Tennessee, for the year ended June 30, 2004, which have not been corrected.

OFFICE OF FINANCE DIRECTOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.01	152	The General Fund had a fund deficit
04.04	153	The former sheriff and a former employee of the County Mayor's Office were delinquent in their reimbursements to the county

OFFICE OF ROAD SUPERVISOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.05	154	The Road Department did not maintain a system to account for the use of road materials

OFFICE OF CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.06	154	Execution docket trial balances did not reconcile with cash journal accounts
04.07	154	Excess fees were not reported and paid to the county in compliance with state statute
04.08	155	Sufficient user documentation for the courts software was not maintained

OFFICE OF CLERK AND MASTER

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.09	155	Excess fees were not reported and paid to the county in compliance with state statute

OTHER FINDINGS AND RECOMMENDATIONS

Finding Number	Page Number	Subject
04.10	156	Designated situs-based taxes were inadequate to fund rural fire protection
04.11	156	Duties were not segregated adequately in the Offices of County Clerk, Juvenile Court Clerk, and Sheriff

HENDERSON COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2005

PART I, SUMMARY OF AUDITOR'S RESULTS

1. A qualified opinion was issued on the financial statements of Henderson County.
2. The audit of the financial statements disclosed reportable conditions in internal control. None of these conditions was considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that was material to the financial statements of Henderson County.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that were required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555), Community Development Block Grants/State Grants (CFDA No. 14.228), Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Henderson 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 have reviewed these findings and recommendations with management to provide an opportunity for their response. The written response of the sheriff is paraphrased in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

OFFICE OF FINANCE DIRECTOR

FINDING 05.01 **THE GENERAL FUND HAD A FUND DEFICIT**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The General Fund had a fund deficit of \$38,833 at June 30, 2005. This fund deficit resulted from expenditures exceeding available funds.

RECOMMENDATION

County officials should take immediate steps to liquidate the fund deficit and should monitor the financial activity of the fund to ensure that adequate funding is timely provided to prevent the recurrence of a fund deficit.

FINDING 05.02 **EXPENDITURES EXCEEDED APPROPRIATIONS AT THE MAJOR CATEGORY LEVEL OF CONTROL**
(Noncompliance Under Government Auditing Standards)

Expenditures exceeded appropriations approved by the County Commission at the major appropriation category level of control (legal level of control) in the following funds:

<u>Fund</u>	<u>Major Appropriation Category</u>	<u>Amount</u>
General	Sheriff's Department	\$ 2,929
"	Workhouse	53,960
"	County Coroner/Medical Examiner	16,102
"	Principal - General Government	45,000
"	Interest - General Government	27,659
General Debt Service	Other Debt Service - Education	13,125
General Purpose School	Board of Education	5,394
"	Operation of Plant	1,360

Section 5-9-401, Tennessee Code Annotated, states that "All funds...including but not limited to...taxes, county aid funds, federal funds, and fines, which are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices, and

agencies of county government shall be appropriated to such use by the county legislature bodies.”

RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission as required by state statute.

FINDING 05.03 **THE FORMER SHERIFF AND A FORMER EMPLOYEE OF THE COUNTY MAYOR’S OFFICE WERE DELINQUENT IN THEIR REIMBURSEMENTS TO THE COUNTY**
(Noncompliance Under Government Auditing Standards)

Our examination of salary agreements disclosed the following conditions:

- A. On July 11, 2000, the former sheriff, Charles Woods, entered into an agreement with Henderson County to repay the county for a salary overpayment of \$1,573.92. The conditions of the agreement required payments of \$100 for 11 months plus a final payment of \$473.92. Mr. Woods made the 11 payments of \$100 but has not paid the final installment of \$473.92 as of June 30, 2005.

- B. During the 2001-02 year, a former employee of the County Mayor’s Office was improperly paid for 41 days of unused sick leave and 15 days of unused vacation leave. On November 8, 2002, this employee signed an agreement to reimburse the county \$5,541.89 in three installments: \$541.89 on December 6, 2002; \$2,500 on June 6, 2003; and \$2,500 on June 6, 2004. As of June 30, 2005, this employee had paid \$2,000 on the agreed amount, leaving an unpaid balance of \$3,541.89.

RECOMMENDATION

County officials should take the appropriate steps to collect these delinquent accounts.

FINDING 05.04 **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office did not issue purchase orders for some applicable purchases. Purchase orders are necessary to control who has purchasing authority and to document purchasing commitments. In some instances, the office issued purchase orders after purchases were made. This practice defeats the purpose of issuing a purchase order and makes the purchase order an approval for payment rather than an approval for the purchase.

RECOMMENDATION

To strengthen internal controls over purchasing procedures, purchase orders should be issued for all applicable purchases before purchases are made.

FINDING 05.05 **WRITTEN GUIDELINES GOVERNING THE USE OF CREDIT CARDS HAD NOT BEEN ADOPTED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The School Department and Finance Department had credit cards available for employees to use for certain purchases. However, neither the Board of Education nor the County Commission had adopted written guidelines governing the use of these cards as of June 30, 2005. On July 14, 2005, the Board of Education adopted a formal policy.

RECOMMENDATION

The County Commission should adopt written guidelines governing the use of credit cards. These guidelines should identify those who are entitled to use the credit cards and the purposes for which the credit cards can be used.

OFFICE OF ROAD SUPERVISOR

FINDING 05.06 **THE ROAD DEPARTMENT DID NOT MAINTAIN A SYSTEM TO ACCOUNT FOR THE USE OF SOME MATERIALS**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Road Department had a system to account for materials, such as rock and asphalt used on state-aid road projects. However, the department did not have a system to account for materials used on other types of road projects. The failure to maintain a system to document the use of road materials results in a loss of control over the assets and increases the risk of inventory loss.

RECOMMENDATION

The Road Department should develop and implement a system to account for materials used on all types of road projects.

OFFICE OF COUNTY CLERK

FINDING 05.07 EXCESS FEES WERE NOT REPORTED AND PAID TO THE COUNTY IN COMPLIANCE WITH STATE STATUTE
(Noncompliance Under Government Auditing Standards)

The county clerk did not report and pay excess fees to the county in compliance with Section 8-22-104, Tennessee Code Annotated. This statute requires excess fees to be reported and paid to the county quarterly and requires the clerk to retain sufficient fees to operate the office for three months. Excess fees retained exceeded statutory limits for each quarter during the year.

RECOMMENDATION

The county clerk should report and pay excess fees to the county in compliance with state statute.

OFFICE OF CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK

FINDING 05.08 EXECUTION DOCKET TRIAL BALANCES DID NOT RECONCILE WITH CASH JOURNAL ACCOUNTS
(Noncompliance Under Government Auditing Standards)

At June 30, 2005, the circuit and general sessions courts clerk had prepared trial balances of execution docket cause balances, as required by Section 18-2-103, Tennessee Code Annotated (TCA). However, these trial balances did not reconcile with cash journal accounts by substantial amounts. Therefore, we were unable to determine if the clerk had complied with provisions of the Unclaimed Property Act, Section 66-29-110, TCA. This statute provides that any funds held by the court for one year and unclaimed by the owner are considered abandoned. Section 66-29-113, TCA, further requires these funds to be reported and paid to the state Treasurer's Office.

RECOMMENDATION

The execution docket trial balances should be reconciled with cash journal accounts. Any funds held by the court for one year and unclaimed by the owner are considered abandoned and should be reported and paid to the state Treasurer's Office in compliance with state statute.

FINDING 05.09 EXCESS FEES WERE NOT REPORTED AND PAID TO THE COUNTY IN COMPLIANCE WITH STATE STATUTE
(Noncompliance Under Government Auditing Standards)

The circuit and general sessions courts clerk did not report and pay excess fees to the county in compliance with Section 8-22-104, Tennessee Code Annotated. This statute requires fees to be reported and paid to the county quarterly and requires the clerk to retain sufficient fees to

operate the office for three months. Excess fees retained exceeded statutory limits for each quarter during the year.

RECOMMENDATION

The clerk should report and pay excess fees to the county in compliance with state statute.

FINDING 05.10 **SUFFICIENT USER DOCUMENTATION FOR THE COURT SOFTWARE WAS NOT MAINTAINED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The circuit, general sessions, and juvenile courts clerk did not maintain formal user documentation pertaining to the courts software. This documentation is necessary to provide users with information system inputs, application processing requirements, output definitions, and system recovery. Inadequate documentation may result in inaccurate and inefficient processing of applications.

RECOMMENDATION

The office should maintain user documentation pertaining to all software applications. Management should contact their vendor and obtain current user documentation for all components of their computer system.

OFFICE OF CLERK AND MASTER

FINDING 05.11 **EXCESS FEES WERE NOT REPORTED AND PAID TO THE COUNTY IN COMPLIANCE WITH STATE STATUTE**
(Noncompliance Under Government Auditing Standards)

The clerk and master did not report and pay excess fees to the county in compliance with Section 8-22-104, Tennessee Code Annotated. This statute requires excess fees to be reported and paid to the county quarterly and requires the clerk to retain sufficient fees to operate the office for three months. Excess fees retained exceeded statutory limits for each quarter during the year.

RECOMMENDATION

The clerk and master should report and pay excess fees to the county in compliance with state statute.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 05.12 DESIGNATED SITUS-BASED TAXES WERE INADEQUATE TO FUND RURAL FIRE PROTECTION
(Material Noncompliance Under Government Auditing Standards)

During the year, Henderson County expended \$265,062 from the General Fund to provide fire protection service to rural areas of the county. The County Commission designated certain situs-based taxes in the General Fund to fund this rural fire protection. However, these situs-based taxes totaled \$184,751 for the year and were not sufficient to cover the operating expenditures of \$265,062. Therefore, the property taxes of all county citizens, living both inside and outside the City of Lexington, helped to fund this service. Citizens living within the City of Lexington paid for fire protection service in both the city and rural areas.

RECOMMENDATION

In addition to the designated situs-based taxes, Henderson County should consider establishing fire districts and annually taxing the property owners of each district to pay that district's share of the total budget of the countywide departments.

FINDING 05.13 DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY CLERK, JUVENILE COURT CLERK, AND SHERIFF
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees in the Offices of County Clerk, Juvenile Court Clerk, and Sheriff. Employees responsible for maintaining accounting records were also involved in receipting, disbursing funds, and/or reconciling bank statements. We realize that due to limited resources and personnel, management may not be able to properly segregate duties among employees. However, our professional standards require that we bring this matter to the reader's attention in this report.

MANAGEMENT'S RESPONSE – SHERIFF

Your recommendation will be addressed at the next quarterly commissioners' meeting in October 2005.

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

There were no findings and questioned costs for federal awards.

HENDERSON COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2005

There were no audit findings relative to federal awards presented in the prior audit's Schedule of Findings and Questioned Costs or the current year's Schedule of Findings and Questioned Costs.