

**ANNUAL FINANCIAL REPORT**  
**HENRY COUNTY, TENNESSEE**



**FOR THE YEAR ENDED JUNE 30, 2006**

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

**ANNUAL FINANCIAL REPORT  
HENRY COUNTY, TENNESSEE  
FOR THE YEAR ENDED JUNE 30, 2006**

***DEPARTMENT OF AUDIT  
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Comptroller of the Treasury***

***DIVISION OF COUNTY AUDIT  
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State Auditors***

This financial report is available at [www.comptroller.state.tn.us](http://www.comptroller.state.tn.us)

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***Audit Highlights***  
Annual Financial Report  
Henry County, Tennessee  
For the Year Ended June 30, 2006

***Scope***

We have audited the basic financial statements of Henry County as of and for the year ended June 30, 2006.

***Results***

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

Our audit resulted in 14 findings and recommendations, which we have reviewed with Henry County management. Detailed findings, recommendations, and management's responses are included in the Single Audit section of this report.

***Findings***

The following are summaries of the audit findings:

**OFFICE OF COUNTY MAYOR**

- ◆ In most instances, the office issued purchase orders after the purchases were made.
- ◆ General Fund expenditures exceeded appropriations approved by the County Commission in the Libraries and Transfers Out major appropriation categories by \$8,875 and \$3,100, respectively.
- ◆ The mechanical check-signing machine's counter could be manually reset.
- ◆ The county used a questionable method of funding corporate surety bonds for the Highway Department.

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**OFFICE OF ROAD SUPERVISOR**

- ◆ In several instances, the office issued purchase orders after the purchases were made.
  - ◆ Two employees received compensation in-lieu-of employer provided health insurance coverage.
  - ◆ The office had an unauthorized signature stamp to affix the road supervisor's signature.
-

## **OFFICE OF DIRECTOR OF SCHOOLS**

- ◆ System back-ups were not stored off site. In the event of a disaster, all back-up data could be destroyed.
- 

## **OFFICE OF SHERIFF**

- ◆ A cash shortage of \$162,656.91 existed in the Sheriff's Office.
  - ◆ We were unable to determine if the office accounted for all assault rifles.
  - ◆ Records were falsified in the purchase of night vision monoculars.
  - ◆ Requisitions were issued after the invoices were received, and the office used a signature stamp to affix the sheriff's signature to various documents.
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## **OTHER FINDINGS**

- ◆ Duties were not segregated adequately among the officials and employees in the Offices of County Clerk, Circuit and General Sessions Courts Clerk, Register, and Sheriff.
- ◆ A central system of accounting, budgeting, and purchasing had not been adopted.

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## INTRODUCTORY SECTION

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# Henry County Officials

## June 30, 2006

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### **Officials**

Brent Greer, County Mayor  
Lowell Ray Norwood, County Road Supervisor  
Richard Kriesky, Director of Schools  
Judy McClanahan, Trustee  
Charles VanDyke, Assessor of Property  
Jerry Bomar, County Clerk  
Rondall Myers, Circuit and General Sessions Courts Clerk  
Mary Burns, Clerk and Master  
Alice Webb, Register  
David Bumpus, Sheriff

### **Board of County Commissioners**

Brent Greer, Chairman	Don Hutson
James Travis, Vice Chairman	Paul Mathenia
Earl Anderson	Charlie Parker
E. Reed Brewer	Don Riggins
Dell Carter	Robert Sinclair
Mitchell Evans	Danny Valentine
Bobby Freeman	Randy Veazey
Kenneth Humphreys	Mary Warren

### **Board of Education**

Mike Dunkerson, Chairman  
Gary Williams, Vice Chairman  
Tim Brannon  
Patricia Reimold  
Gerald Young

### **Budget Committee**

Brent Greer, Chairman  
Don Hutson, Vice Chairman  
Lyman Black  
Dorris Kendall  
Everett Moody  
Charlie Parker  
Robert Sinclair

### **Highway Commission**

Ronald Brown, Chairman  
Keith Hopkins  
Vic Mallard  
Bobby Milam  
Don Norwood  
Hugh Tyler

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## **FINANCIAL SECTION**

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

**INDEPENDENT AUDITOR'S REPORT**

October 25, 2006

Henry County Mayor and  
Board of County Commissioners  
Henry 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 Henry County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise Henry County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Henry County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented Henry County Medical Center, which represent 65 percent and 72 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Also, we did not audit the financial statements of the discretely presented Henry County Emergency Communications District, which represent 0.6 percent and 0.3 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Henry County Medical Center and the Henry County Emergency Communications District, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the

accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henry County, Tennessee, as of June 30, 2006, 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 25, 2006, on our consideration of Henry 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., Henry County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement 34.

The management of Henry 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 71 through 77 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 inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Henry 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 Henry County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Henry County School Department (a discretely presented component unit), and the miscellaneous

schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

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

John G. Morgan  
Comptroller of the Treasury

JGM/rc

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Henry County, Tennessee  
Statement of Net Assets  
June 30, 2006

	Primary Government Total Governmental Activities	Component Units		
		Henry County School Department	Henry County Medical Center	Henry County Emergency Communications District
<u>ASSETS</u>				
Cash	\$ 19,009	\$ 25	\$ 3,714,167	\$ 393,432
Equity in Pooled Cash and Investments	7,495,329	2,339,200	0	0
Inventories	0	0	1,465,340	0
Investments	0	0	6,445,079	0
Accounts Receivable	47,969	3,917	14,059,390	26,294
Allowance for Uncollectibles	0	0	(5,032,000)	0
Due from Other Governments	1,013,667	783,415	0	0
Property Taxes Receivable	4,381,595	4,514,230	0	0
Allowance for Uncollectible Property Taxes	(52,995)	(53,476)	0	0
Prepaid Items	0	0	605,125	0
Accrued Interest Receivable	0	0	0	280
Cash Shortage	162,658	0	0	0
Other Current Assets	0	0	2,108,933	0
Other Restricted Assets	0	0	11,655,876	0
Deferred Charges - Debt Issuance Costs	230,339	0	0	0
Capital Assets:				
Assets Not Depreciated:				
Land	536,684	556,718	655,041	0
Construction in Progress	155,038	0	1,466,879	0
Assets Net of Accumulated Depreciation:				
Buildings and Improvements	4,416,507	27,415,892	26,336,626	0
Infrastructure	2,152,050	0	0	0
Other Capital Assets	603,883	1,552,181	7,108,297	243,639
Total Assets	<u>\$ 21,161,733</u>	<u>\$ 37,112,102</u>	<u>\$ 70,588,753</u>	<u>\$ 663,645</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 82,664	\$ 30,859	\$ 2,350,168	\$ 17,748
Contracts Payable	151,992	0	0	0
Retainage Payable	15,504	0	0	0
Claims and Judgments Payable	0	0	231,052	0
Accrued Interest Payable	103,654	0	0	0
Other Current Liabilities	0	0	3,723,701	0
Deferred Revenue - Current Property Taxes	4,163,753	4,298,092	0	0
Noncurrent Liabilities:				
Due Within One Year	1,420,880	4,124	1,111,000	0
Due in More Than One Year (net of deferred amount on refunding and unamortized premium on debt)	23,301,527	78,352	17,248,948	0
Total Liabilities	<u>\$ 29,239,974</u>	<u>\$ 4,411,427</u>	<u>\$ 24,664,869</u>	<u>\$ 17,748</u>

(Continued)

Exhibit A

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

	Primary Government Total Governmental Activities	Component Units		
		Henry County School Department	Henry County Medical Center	Henry County Emergency Communications District
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	\$ 4,970,164	\$ 0	\$ 17,206,895	\$ 0
Invested in Capital Assets	0	29,524,791	0	243,639
Restricted for:				
Resort District	60,812	0	0	0
Solid Waste/Sanitation	337,402	0	0	0
Drug Control	85,953	0	0	0
Highway/Public Works	1,367,294	0	0	0
Debt Service	3,218,234	0	0	0
Capital Projects	134,945	0	0	0
School Federal Projects	0	102,229	0	0
Central Cafeteria	0	423,028	0	0
Other Purposes	44,510	261,436	0	0
Unrestricted	(18,297,555)	2,389,191	28,716,989	402,258
Total Net Assets (Deficit)	\$ (8,078,241)	\$ 32,700,675	\$ 45,923,884	\$ 645,897

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

Exhibit B

Henry County, Tennessee  
Statement of Activities  
For the Year Ended June 30, 2006

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets							
	Expenses	Program Revenues			Primary Government	Component Units		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Henry County School Department	Henry County Medical Center	Henry County Emergency Communications District
<b>Primary Government:</b>								
Governmental Activities:								
General Government	\$ 762,031	\$ 318,105	\$ 16,380	\$ 0	\$ (427,546)	\$ 0	\$ 0	\$ 0
Finance	898,077	960,118	15,557	0	77,598	0	0	0
Administration of Justice	883,097	664,922	80,127	0	(138,048)	0	0	0
Public Safety	4,305,669	581,226	109,893	474,109	(3,140,441)	0	0	0
Public Health and Welfare	757,473	197,157	33,044	0	(527,272)	0	0	0
Social, Cultural, and Recreational Services	388,223	0	34,917	0	(353,306)	0	0	0
Agriculture & Natural Resources	154,366	0	0	0	(154,366)	0	0	0
Other Operations	958,981	222,766	209,836	131,936	(394,443)	0	0	0
Highways	3,714,326	28,037	1,923,474	314,864	(1,447,951)	0	0	0
Interest on Long-term Debt	1,023,049	0	0	0	(1,023,049)	0	0	0
Other Debt Service	72,248	0	1,468,104	0	1,395,856	0	0	0
<b>Total Primary Government</b>	<b>\$ 13,917,540</b>	<b>\$ 2,972,331</b>	<b>\$ 3,891,332</b>	<b>\$ 920,909</b>	<b>\$ (6,132,968)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Component Units:</b>								
Henry County School Department	\$ 24,690,853	\$ 705,702	\$ 3,083,044	\$ 0	0	\$ (20,902,107)	\$ 0	\$ 0
Henry County Medical Center	58,937,399	61,241,580	0	0	0	0	2,304,181	0
Henry County Emergency Communications District	260,792	185,150	68,918	0	0	0	0	(6,724)
<b>Total Component Units</b>	<b>\$ 83,889,044</b>	<b>\$ 62,132,432</b>	<b>\$ 3,151,962</b>	<b>\$ 0</b>	<b>0</b>	<b>\$ (20,902,107)</b>	<b>\$ 2,304,181</b>	<b>\$ (6,724)</b>

(Continued)

Exhibit B

Henry County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Assets						
		Program Revenues			Primary	Component Units		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government	Henry County School Department	Henry County Medical Center	Henry County Emergency Communications District
					Total Governmental Activities			
General Revenues:								
Taxes:								
Property taxes levied for General Purposes					\$ 4,296,078	\$ 4,372,176	\$ 0	\$ 0
Property taxes levied for Debt Service					130,324	0	0	0
Local Option Sales Tax					602,727	2,646,811	0	0
Other Local Taxes					1,873,359	119,870	0	0
Grants and Contributions Not Restricted to Specific Programs					370,088	12,764,472	0	40,000
Unrestricted Investment Earnings					179,718	75,000	705,762	0
Miscellaneous					50,799	149,947	1,237,614	3,334
Total General Revenues					\$ 7,503,093	\$ 20,128,276	\$ 1,943,376	\$ 43,334
Extraordinary Item - Tornado Damage					\$ 152,956	\$ 0	\$ 0	\$ 0
Change in Net Assets					\$ 1,523,081	\$ (773,831)	\$ 4,247,557	\$ 36,610
Net Assets, July 1, 2005					(9,738,535)	33,474,506	41,676,327	609,137
Prior Period Adjustment					137,213	0	0	150
Net Assets, June 30, 2006					\$ (8,078,241)	\$ 32,700,675	\$ 45,923,884	\$ 645,897

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

## Exhibit C-1

Henry County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2006

	Major Funds			Nonmajor Funds	Total Govern- mental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 19,009	\$ 19,009
Equity in Pooled Cash and Investments	2,993,005	777,674	3,140,040	525,111	7,435,830
Accounts Receivable	47,969	0	0	0	47,969
Due from Other Governments	353,692	654,166	0	5,809	1,013,667
Due from Other Funds	19,009	59,499	0	0	78,508
Property Taxes Receivable	2,623,300	1,331,172	142,307	284,816	4,381,595
Allowance for Uncollectible Property Taxes	(32,227)	(15,797)	(1,647)	(3,324)	(52,995)
Cash Shortage	118,878	0	0	43,780	162,658
Total Assets	<u>\$ 6,123,626</u>	<u>\$ 2,806,714</u>	<u>\$ 3,280,700</u>	<u>\$ 875,201</u>	<u>\$ 13,086,241</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 51,626	\$ 4,695	\$ 0	\$ 26,343	\$ 82,664
Contracts Payable	0	151,992	0	0	151,992
Retainage Payable	0	15,504	0	0	15,504
Due to Other Funds	0	0	0	19,009	19,009
Deferred Revenue - Current Property Taxes	2,489,200	1,267,229	135,775	271,549	4,163,753
Deferred Revenue - Delinquent Property Taxes	93,150	44,023	4,467	9,091	150,731
Other Deferred Revenues	144,447	175,345	0	0	319,792
Total Liabilities	<u>\$ 2,778,423</u>	<u>\$ 1,658,788</u>	<u>\$ 140,242</u>	<u>\$ 325,992</u>	<u>\$ 4,903,445</u>
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 60,000	\$ 345,888	\$ 0	\$ 0	\$ 405,888
Reserved for Resort District	60,812	0	0	0	60,812
Reserved for Purchase of Electronic Fingerprint Imaging	0	0	0	13,602	13,602
Reserved for Alcohol and Drug Treatment	30,113	0	0	0	30,113
Reserved for Courtroom Security	896	0	0	0	896
Other Federal Reserves	13,501	0	0	0	13,501
Unreserved, Reported In:					
General Fund	3,179,881	0	0	0	3,179,881
Special Revenue Funds	0	802,038	0	400,662	1,202,700
Debt Service Fund	0	0	3,140,458	0	3,140,458
Capital Projects Fund	0	0	0	134,945	134,945
Total Fund Balances	<u>\$ 3,345,203</u>	<u>\$ 1,147,926</u>	<u>\$ 3,140,458</u>	<u>\$ 549,209</u>	<u>\$ 8,182,796</u>
Total Liabilities and Fund Balances	<u>\$ 6,123,626</u>	<u>\$ 2,806,714</u>	<u>\$ 3,280,700</u>	<u>\$ 875,201</u>	<u>\$ 13,086,241</u>

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

Exhibit C-2

Henry County, Tennessee

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets  
June 30, 2006

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)		\$ 8,182,796
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 536,684	
Add: construction in progress	155,038	
Add: buildings and improvements net of accumulated depreciation	4,416,507	
Add: infrastructure net of accumulated depreciation	2,152,050	
Add: other capital assets net of accumulated depreciation	<u>603,883</u>	7,864,162
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		470,523
(3) Long-term liabilities are not due in the current period and therefore are not reported in the funds.		
Less: notes payable	\$ (226,000)	
Less: other loans payable	(4,464,798)	
Less: bonds payable	(18,603,986)	
Add: deferred charges - debt issuance costs	230,339	
Add: deferred amount on refunding	176,963	
Less: other deferred revenue - premium on debt	(13,219)	
Less: accrued interest on notes and bonds	(103,654)	
Less: accreted interest on bonds	(1,091,110)	
Less: landfill closure/postclosure care costs	(232,198)	
Less: compensated absences payable	<u>(268,059)</u>	<u>(24,595,722)</u>
Net assets (deficit) of governmental activities (Exhibit A)		<u>\$ (8,078,241)</u>

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

## Exhibit C-3

Henry County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2006

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 4,656,132	\$ 1,360,352	\$ 714,275	\$ 280,984	\$ 7,011,743
Licenses and Permits	96,299	0	0	0	96,299
Fines, Forfeitures, and Penalties	252,409	0	0	35,737	288,146
Charges for Current Services	100,966	0	0	6,861	107,827
Other Local Revenues	263,863	35,065	179,718	182,351	660,997
Fees Received from County Officials	1,522,761	0	0	0	1,522,761
State of Tennessee	1,057,281	2,224,386	0	28,188	3,309,855
Federal Government	571,137	0	0	51,949	623,086
Other Governments and Citizens Groups	143,699	0	1,458,073	4,895	1,606,667
Total Revenues	\$ 8,664,547	\$ 3,619,803	\$ 2,352,066	\$ 590,965	\$ 15,227,381
<u>Expenditures</u>					
Current:					
General Government	\$ 866,773	\$ 0	\$ 0	\$ 0	\$ 866,773
Finance	698,896	0	0	0	698,896
Administration of Justice	703,066	0	0	6,861	709,927
Public Safety	3,291,564	0	0	16,357	3,307,921
Public Health and Welfare	120,892	0	0	485,551	606,443
Social, Cultural, and Recreational Services	318,228	0	0	0	318,228
Agricultural and Natural Resources	144,030	0	0	0	144,030
Other Operations	1,896,290	0	11,003	5,446	1,912,739
Highways	0	3,807,673	0	0	3,807,673
Debt Service:					
Principal on Debt	0	0	1,680,675	0	1,680,675
Interest on Debt	0	0	798,890	0	798,890
Other Debt Service	0	0	22,450	0	22,450
Capital Projects	0	0	0	152,161	152,161
Total Expenditures	\$ 8,039,739	\$ 3,807,673	\$ 2,513,018	\$ 666,376	\$ 15,026,806
Excess (Deficiency) of Revenues Over Expenditures					
	\$ 624,808	\$ (187,870)	\$ (160,952)	\$ (75,411)	\$ 200,575
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 150,000	\$ 0	\$ 269,000	\$ 419,000
Transfers In	0	428,100	0	12,000	440,100
Transfers Out	(440,100)	0	0	0	(440,100)
Total Other Financing Sources (Uses)	\$ (440,100)	\$ 578,100	\$ 0	\$ 281,000	\$ 419,000
Extraordinary Item - Tornado Damage					
	\$ 0	\$ 152,956	\$ 0	\$ 0	\$ 152,956
Net Change in Fund Balances					
Fund Balance, July 1, 2005	\$ 3,066,232	\$ 604,740	\$ 3,301,410	\$ 300,670	\$ 7,273,052
Prior Period Adjustment	94,263	0	0	42,950	137,213
Fund Balance, June 30, 2006	\$ 3,345,203	\$ 1,147,926	\$ 3,140,458	\$ 549,209	\$ 8,182,796

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

Exhibit C-4

Henry 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, 2006

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ 772,531	
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. The amount that capital outlays differ from depreciation is itemized as follows:			
Add: capital assets purchased in the current period	\$ 357,845		
Less: current year depreciation expense	<u>(621,408)</u>	(263,563)	
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2006	\$ 470,523		
Less: deferred delinquent property taxes and other deferred June 30, 2005	<u>(420,271)</u>	50,252	
(3) The issuance of long-term debt (e.g. notes, capital 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.			
Less: note proceeds	\$ (419,000)		
Add: change in premium on debt issuances	10,033		
Less: change in deferred debt issuance costs	(23,789)		
Less: change in deferred amount on refunding debt	(26,009)		
Add: principal payments on notes	288,000		
Add: principal payments on other loans	563,300		
Add: principal payments on bonds	<u>829,375</u>	1,221,910	
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
Change in accrued interest	\$ 4,578		
Change in accreted interest	(228,738)		
Change in compensated absences	(6,321)		
Change in landfill closure/postclosure care costs	<u>(27,568)</u>	<u>(258,049)</u>	
Change in net assets of governmental activities (Exhibit B)			<u>\$ 1,523,081</u>

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

Exhibit D

Henry County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2006

	<u>Agency Funds</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 210,595
Cash	989,699
Due from Other Governments	822,599
Property Taxes Receivable	3,082,537
Allowance for Uncollectible Property Taxes	<u>(36,688)</u>
Total Assets	<u>\$ 5,068,742</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 4,079,043
Due to Litigants, Heirs, and Others	<u>989,699</u>
Total Liabilities	<u>\$ 5,068,742</u>

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

**HENRY COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2006**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Henry 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 Henry County:

**A. Reporting Entity**

Henry County is a public municipal corporation governed by an elected 15-member board. As required by GAAP, these financial statements present Henry 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 Henry 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 Henry County School Department operates the county's public school system in the county, and the voters of Henry 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 Henry County Medical Center provides healthcare to the citizens of Henry County, and the Henry County Commission appoints its governing body. Before the issuance of any debt instruments, the hospital must obtain the approval of the County Commission.

The Henry County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Henry County, and the Henry 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 Henry County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the Henry County School Department are included in this report as listed in the table of contents. Complete financial statements of the Henry County Medical Center and the Henry County Emergency Communications District can be obtained from their respective administrative offices at the following addresses:

Administrative Offices:

Henry County Medical Center  
P. O. Box 1030  
Paris, TN 38242

Henry County Emergency Communications District  
P. O. Box 1452  
Paris, TN 38242

**B. Government-wide and Fund Financial Statements**

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

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

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

Fund financial statements of Henry 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. An emphasis is placed on major funds within the governmental category. Henry County has no proprietary funds to report.

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. Henry County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

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

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

Henry County reports the following major governmental funds:

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

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

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

Additionally, Henry County reports the following fund types:

**General Capital Projects Fund** – This fund accounts for the financial resources to be used for general capital expenditures (other than those financed by Proprietary Funds).

**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 Henry 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 Henry County School Department reports the following major governmental fund:

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

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

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

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

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

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 Henry 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 and the discretely presented School Department's General Purpose School Fund. Henry County and the Henry 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 .635 percent of total taxes levied.

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

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

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

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

Additional costs attach to delinquent taxes after a court suit has been filed.

Retainage payable in the Highway/Public Works Fund represents amounts withheld from payments made on construction contracts pending completion of the projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments in the major governmental fund.

**3. Capital Assets**

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental 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 and an estimated useful life exceeding one year. 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	5-10
Infrastructure:	
Roads	20-50
Bridges	20-50

Henry 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**

It is the policy of Henry County (with the exception of the Highway Department) to permit employees to accumulate varying amounts of earned but unused vacation leave which will be paid upon separation from county service. All vacation leave is accrued when incurred in the government-wide statements for the primary government. A liability for vacation leave is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

The policy of the Henry County Highway Department does not permit employees to accumulate sick or vacation days beyond the fiscal year and therefore is not required to be accrued or recorded.

It is the policy of the discretely presented Henry County School Department to permit full-time, non-teaching employees to accumulate vacation days exceeding a normal year's accumulation. All vacation leave is accrued when incurred in the government-wide statements for the School Department. A liability for vacation leave is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements. Professional employees are allowed unlimited accumulation of unused sick leave days. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

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, accreted interest, 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.

The government-wide statement of net assets reports \$5,249,150 of restricted net assets for the primary government, of which \$60,812 is restricted by enabling legislation.

At June 30, 2006, Henry County had \$20,400,786 in outstanding debt for capital purposes for the discretely presented Henry County School Department. The debt is a liability of Henry County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Henry County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

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

**7. Prior-period Adjustment**

The Sheriff's Department had a cash shortage of \$162,658 on June 30, 2006. Of that amount, \$137,213 is attributable to events

prior to July 1, 2005, and therefore has been reflected as prior period adjustments in the General Fund (\$94,263), Drug Control Fund (\$22,672), and General Capital Projects Fund (\$20,278).

## II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

#### Primary Government

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

#### Discretely Presented Henry County School Department

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

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

#### Primary Government

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

#### Discretely Presented Henry County School Department

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

## III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. **Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers – Fees Fund (special revenue fund) which is not budgeted, and the capital projects fund, which adopt a project length budget. All annual appropriations lapse at fiscal year end.

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

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

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

**B. Cash Shortages**

The following funds had cash shortages as of June 30, 2006.

<u>Fund</u>	<u>Amount</u>
General	\$ 118,878
Drug Control	23,502
General Capital Projects	<u>20,278</u>
Total Cash Shortage	<u><u>\$ 162,658</u></u>

Details of these cash shortages are discussed in the Schedule of Findings and Questioned Costs in the Single Audit Section of this report.

**C. Expenditures Exceeded Appropriations**

Expenditures and encumbrances exceeded appropriations approved by the County Commission in the Libraries and Transfers Out major appropriation categories (the legal level of control) of the General Fund by \$8,875 and \$3,100, respectively. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

#### IV. DETAILED NOTES ON ALL FUNDS

##### A. Deposits and Investments

Henry County and the Henry 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, depositing, 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.

The county had no pooled or nonpooled investments as of June 30, 2006.

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2006, was as follows:

Primary Government

**Governmental Activities:**

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
<u>Capital Assets Not Depreciated:</u>				
Land	\$ 529,185	\$ 7,499	\$ 0	\$ 536,684
Construction in Progress	0	155,038	0	155,038
<b>Total Capital Assets Not Depreciated</b>	<b>\$ 529,185</b>	<b>\$ 162,537</b>	<b>\$ 0</b>	<b>\$ 691,722</b>
<u>Capital Assets Depreciated:</u>				
Buildings and Improvements	\$ 7,384,335	\$ 12,398	\$ 0	\$ 7,396,733
Infrastructure	3,396,918	60,599	0	3,457,517
Other Capital Assets	2,960,946	122,311	(99,464)	2,983,793
<b>Total Capital Assets Depreciated</b>	<b>\$ 13,742,199</b>	<b>\$ 195,308</b>	<b>\$ (99,464)</b>	<b>\$ 13,838,043</b>
<u>Less Accumulated Depreciation For:</u>				
Buildings and Improvements	\$ 2,721,417	\$ 258,809	\$ 0	\$ 2,980,226
Infrastructure	1,169,750	135,717	0	1,305,467
Other Capital Assets	2,252,492	226,882	(99,464)	2,379,910
<b>Total Accumulated Depreciation</b>	<b>\$ 6,143,659</b>	<b>\$ 621,408</b>	<b>\$ (99,464)</b>	<b>\$ 6,665,603</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 7,598,540</b>	<b>\$ (426,100)</b>	<b>\$ 0</b>	<b>\$ 7,172,440</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 8,127,725</b>	<b>\$ (263,563)</b>	<b>\$ 0</b>	<b>\$ 7,864,162</b>

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

Governmental Activities:

General Government	\$ 2,326
Finance	4,676
Public Safety	253,884
Public Health and Welfare	91,078
Social, Cultural, and Recreational Services	2,094
Other Operations	84,351
Highways	<u>182,999</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 621,408</u></u>

Discretely Presented Henry County School Department

**Governmental Activities:**

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:				
Land	\$ 567,271	\$ 0	\$ (10,553)	\$ 556,718
Total Capital Assets Not Depreciated	<u>\$ 567,271</u>	<u>\$ 0</u>	<u>\$ (10,553)</u>	<u>\$ 556,718</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 42,523,751	\$ 296,758	\$ (288,171)	\$ 42,532,338
Other Capital Assets	<u>3,183,937</u>	<u>357,183</u>	<u>(73,703)</u>	<u>3,467,417</u>
Total Capital Assets Depreciated	<u>\$ 45,707,688</u>	<u>\$ 653,941</u>	<u>\$ (361,874)</u>	<u>\$ 45,999,755</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 13,793,432	\$ 1,583,173	\$ (260,159)	\$ 15,116,446
Other Capital Assets	<u>1,697,970</u>	<u>290,969</u>	<u>(73,703)</u>	<u>1,915,236</u>
Total Accumulated Depreciation	<u>\$ 15,491,402</u>	<u>\$ 1,874,142</u>	<u>\$ (333,862)</u>	<u>\$ 17,031,682</u>
Total Capital Assets Depreciated, Net	<u>\$ 30,216,286</u>	<u>\$ (1,220,201)</u>	<u>\$ (28,012)</u>	<u>\$ 28,968,073</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 30,783,557</u></u>	<u><u>\$ (1,220,201)</u></u>	<u><u>\$ (38,565)</u></u>	<u><u>\$ 29,524,791</u></u>

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

Governmental Activities:

Instruction	\$ 1,543,223
Support Services	285,118
Operation of Non-Instructional Services	<u>45,801</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 1,874,142</u></u>

**C. Construction Commitments**

At June 30, 2006, the county had uncompleted construction contracts of \$47,949 in the Highway/Public Work Fund for the construction of a highway equipment shop building and \$236,294 for road paving projects. Funding for these future expenditures is expected to be provided by available fund balance and state aid funds.

**D. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2006, is as follows:

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 19,009
Highway/Public Works	General	59,499
Discretely Presented School Department:		
General Purpose School	Nonmajor governmental	10,237

These balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made. The receivable in the Highway/Public Works Fund (\$59,499) was in-transit from the General Fund at June 30, 2006. Also, the receivable in the General Purpose School Fund (\$10,237) was in-transit from the School Federal Projects Fund (nonmajor governmental fund) at June 30, 2006.

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2006, consisted of the following amounts:

**Primary Government**

<u>Transfers Out</u>	<u>Transfers In</u>	
	Highway/ Public Works Fund	Nonmajor Governmental Funds
General Fund	\$ 428,100	\$ 12,000
Total	<u>\$ 428,100</u>	<u>\$ 12,000</u>

**Discretely Presented Henry County School Department**

<u>Transfers Out</u>	<u>Transfers In</u>
	General Purpose School Fund
Nonmajor governmental funds	\$ 13,189
Total	<u>\$ 13,189</u>

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

**E. Long-term Debt**

Primary Government

General Obligation Bonds, Notes, and Other Loans

The county issues general obligation bonds and other loans 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, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 22 years for bonds, up to ten years for notes, and up to 19 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in the long-term debt as of June 30, 2006, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2006, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
General Obligation Bonds	4.25 to 4.6%	\$ 6,600,000	\$ 6,600,000
General Obligation Bonds - Refunding	3 to 4.45	10,818,125	8,310,625
Capital Appreciation Bonds	4.6 to 5.2	3,693,361	3,693,361
Other Loans	varies	7,944,998	4,464,798
Capital Outlay Notes	3.9 to 5.125	340,000	226,000

In prior years, an agreement was made between Henry County and the Paris Special School District. Under this agreement, the Paris Special School District assumed the liability to retire 37.5 percent of the requirements of certain school bonds. Therefore, these amounts are not reflected in Henry County's liability for bonded debt.

In prior years, Henry County entered into two loan agreements with the Montgomery County Public Building Authority. Under these loan agreements, the authority loaned \$3,000,000 and \$4,944,998 to Henry County for various renovation and construction projects. These loans are repayable at interest rates that are tax-exempt variable rates determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with these loans. At June 30, 2006, the variable interest rates were 3.47 and 3.37 percent, respectively, on the loans, and other fees amounted to approximately .4 percent (.25 percent letter of credit fee; and .15 percent remarketing fee) and .35 percent (.2 percent letter of credit fee; and .15 percent remarketing fee), respectively, of the outstanding loan principal. Each loan is also assessed an annual trustee fee of \$1,200.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2006, including interest payments and other fees, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2007	\$ 851,875	\$ 610,826	\$ 69,000	\$ 9,745
2008	903,750	576,748	69,000	6,822
2009	930,740	546,733	69,000	3,898
2010	822,174	655,311	19,000	974
2011	823,931	651,817	0	0
2012-2016	4,469,435	3,191,199	0	0
2017-2021	4,447,081	4,329,874	0	0
2022-2025	5,355,000	546,375	0	0
Total	\$ 18,603,986	\$ 11,108,883	\$ 226,000	\$ 21,439

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2007	\$ 486,600	\$ 143,759	\$ 16,050	\$ 646,409
2008	511,400	127,201	14,267	652,868
2009	538,700	109,798	12,392	660,890
2010	566,400	91,467	10,418	668,285
2011	595,800	72,191	8,342	676,333
2012-2015	1,765,898	107,324	13,601	1,886,823
Total	\$ 4,464,798	\$ 651,740	\$ 75,070	\$ 5,191,608

There is \$3,140,458 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita amounted to \$598, based on the 2000 federal census. Total debt per capita, including bonds, notes, and other loans amounted to \$749, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the primary government for the year ended June 30, 2006, was as follows:

	Bonds	Notes	Accreted Interest
Balance, July 1, 2005	\$ 19,433,361	\$ 95,000	\$ 862,372
Additions	0	419,000	228,738
Deductions	(829,375)	(288,000)	0
Balance, June 30, 2006	\$ 18,603,986	\$ 226,000	\$ 1,091,110
Balance Due Within One Year	\$ 851,875	\$ 69,000	\$ 0

	Other Loans	Compensated Absences	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2005	\$ 5,028,098	\$ 261,738	\$ 204,630
Additions	0	240,742	27,568
Deductions	(563,300)	(234,421)	0
Balance, June 30, 2006	<u>\$ 4,464,798</u>	<u>\$ 268,059</u>	<u>\$ 232,198</u>
Balance Due Within One Year	<u>\$ 486,600</u>	<u>\$ 13,405</u>	<u>\$ 0</u>

Compensated absences payable will be paid from the employing fund, primarily the General Fund.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2006	\$ 24,886,151
Less: Balance Due Within One Year	(1,420,880)
Less: Deferred Amount on Refunding	(176,963)
Add: Unamortized Premium on Debt	<u>13,219</u>
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u>\$ 23,301,527</u>

Defeasance of Prior Debt

In the prior year, Henry County defeased certain outstanding general obligation bonds by placing the proceeds of new bonds into an irrevocable trust fund 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, 2006, the following outstanding bonds are considered defeased:

School, Series 2001A	\$5,495,000
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Discretely Presented Henry County School Department

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Henry County School

Department for the year ended June 30, 2006, was as follows:

Governmental Activities:

	Capital Leases	Compensated Absences
Balance, July 1, 2005	\$ 51,706	\$ 80,219
Additions	0	41,613
Deductions	(51,706)	(39,356)
Balance, June 30, 2006	<u>\$ 0</u>	<u>\$ 82,476</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 4,124</u>

Compensated absences payable will be paid from the employing fund, primarily the General Purpose School Fund.

**F. Extraordinary Item**

During the year, Henry County received damage from a tornado. The Henry County Highway/Public Works Fund received insurance recovery funds of \$152,956 to cover damage to the county highway shop building. We did not consider this event to impair the service utility of the facility because the facility was still usable.

**V. OTHER INFORMATION**

**A. Risk Management**

The county and the discretely presented Henry County School Department are exposed to various risks related to general liability, property, casualty, workers' compensation, health, and accident losses. Henry County and the discretely presented School Department decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability, property, casualty, and workers' compensation coverage. They participate in the Tennessee School Boards Risk Management Trust (TSB-RMT) which is a public entity risk pool established by an association of member school boards. Henry County and the discretely presented School Department pay annual premiums to the TSB-RMT for their general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums.

Henry County (except for Highway and School Department employees) purchases commercial insurance for the risk associated with employee health coverage. The Henry County Highway Department and the discretely presented Henry County School Department participate in the Local

Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, 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.

**B. Accounting Changes**

For the year ended June 30, 2006, Henry County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34.

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries became effective for the year ended June 30, 2006. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries. GASB Statement No. 42 had no effect on the financial statements for the year ended June 30, 2006, since no capital asset impairment and related insurance recovery occurred. However, it is reasonably expected that capital asset impairment and insurance recoveries may occur in subsequent years that will be subject to the provisions of Statement No. 42.

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Henry County is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. A limited statistical section was presented in the prior year's report. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it

contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that Henry County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period.

The provisions of GASB Statement No. 47, Accounting for Termination Benefits became effective for the year ended June 30, 2006. GASB Statement No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits they offer in accrual basis financial statements. Henry County was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Henry County will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

**C. Subsequent Events**

On August 31, 2006, Judy McClanahan left the Office of Trustee and was succeeded by David Stone, and David Bumpus left the Office of Sheriff and was succeeded by Monte Belew.

On September 28, 2006, Henry County issued capital outlay notes totaling \$240,362 at an interest rate of 3.95 percent for various capital projects.

**D. Contingent Liabilities**

Henry County is contingently liable for Hospital Revenue Bonds, Series 2003, that were issued to advance refund certain hospital revenue and tax refunding and improvement bonds, Series 1992 (1992 Revenue Bonds), of the Henry County Medical Center, a discretely presented component unit. Henry County would become liable for these bonds and interest thereon, in the event of default by the Henry County Medical Center. The principal of these revenue bonds is reflected on the financial statements of the Henry County Medical Center. As of June 30, 2006, future principal requirements were \$530,000, and future interest requirements were \$12,725.

The Henry County Medical Center has entered into loan agreements with the Public Building Authority of Montgomery County, Tennessee. Under these loan agreements, the authority loaned proceeds of \$4,500,000 and \$16,500,000, respectively, to the Henry County Medical Center. The Henry County Medical Center has used the loan proceeds for construction, acquisition, and/or enlargement of its buildings, structures, and facilities. As of June 30, 2006, the medical center had \$2,258,000 and \$15,331,000 outstanding on these loans. Henry County would become liable for the repayment of these loans in the event of default by the Henry County Medical Center.

Henry County is contingently liable for certain School Refunding Bonds, Series 2002, that were issued to advance refund the remaining outstanding bonds in the School Bonds, Series 1994, and Series 1995, issuances for the Paris Special School District. Additionally, Henry County is contingently liable for certain School Refunding, Series 1998, for the Paris Special School District. Henry County would become liable for these bonds and the interest thereon, in the event of default by the Paris Special School District. The principal of these general obligation bonds is reflected on the financial statements of the Paris Special School District. As of June 30, 2006, future requirements were \$1,539,375 (principal) and \$135,864 (interest).

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

**E. Landfill Closure/Postclosure Care Costs**

The City of Paris and Henry County entered into an interlocal agreement establishing joint ownership of the Paris – Henry County Landfill. In accordance with provisions of this agreement, the City of Paris deeded one-half interest in the landfill site, which consists of approximately 100 acres, to Henry County. A Landfill Committee was established to oversee landfill operations to ensure that the landfill is operated in accordance with applicable state and federal guidelines. The City of Paris will operate the new class III and IV landfill, and all employees are considered employees of the City of Paris. The city and county will share operating costs and capital costs, including closure and postclosure costs, equally.

State and federal laws and regulations require the City of Paris to place a final cover on the landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Closure was completed on the old class I landfill during a prior audit period. The City of Paris Solid Waste Disposal Fund reports 100 percent of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$464,396 reported by the City of Paris as landfill closure and postclosure care liability at June 30, 2006, represents 67 percent of the total estimated

capacity of the landfill and 33 percent of the estimated capacity of its class III and IV landfill. The City of Paris will recognize the remaining estimated closure and postclosure care costs of \$574,395 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2006. The City of Paris performed closure activities on the class I area in the year 1997, but the beginning of the statutory postclosure monitoring of this area will not begin until the entire landfill is closed. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. As noted, Henry County has contractually agreed to pay 50 percent of the closure and postclosure costs and has reflected a liability for landfill closure/postclosure care costs of \$232,198 in the government-wide financial statements.

**F. Joint Ventures**

The Twenty-Fourth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twenty-Fourth Judicial District; Benton, Carroll, Decatur, Hardin, and Henry Counties; and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney, sheriffs, and police chiefs of participating law enforcement agencies within the judicial district. Henry County made no contributions to the DTF for the year ended June 30, 2006, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

District Attorney General  
P. O. Box 686  
Huntingdon, TN 38344

The W. G. Rhea Paris – Henry County Library is a regional library owned by Henry County and the City of Paris and operated by the W. G. Rhea Paris – Henry County Library Board. The board includes seven members, four of whom are appointed by the Henry County Commission and three of whom are appointed by the City of Paris. Henry County has control over budgeting and financing the joint venture only to the extent of representation by the four board members appointed and is responsible for funding 50 percent of any deficits from operations. Henry County contributed \$104,030 to the operations of the board during the year ended June 30, 2006. Complete

financial statements for the W. G. Rhea Paris – Henry County Library can be obtained from the County Clerk’s Office or the library board’s administrative office at the following address:

Administrative Office:

W. G. Rhea Paris – Henry County Library  
400 W. Washington Street  
Paris, TN 38242

The Carroll - Henry County Railroad Authority was jointly created in November 1988 by Carroll and Henry Counties. The authority was established as a conduit for payment of funds between the Tennessee Department of Transportation and the Kentucky – West Tennessee Railroad Company to rehabilitate the railroad between the Kentucky stateline and Bruceton, Tennessee, including a lead to Spinks, Tennessee. The authority comprises four members. One member from each county is appointed by the County Commission, and the county mayors of each county serve as members and rotate every two years as chairman. Complete financial statements for the Carroll - Henry County Railroad Authority can be obtained from the Henry County Mayor’s Office.

**G. Retirement Commitments**

**Plan Description**

Employees of Henry 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 Henry 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](http://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**

Henry 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, 2006, was 6.03 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Henry County is established and may be amended by the TCRS Board of Trustees.

### **Annual Pension Cost**

For the year ended June 30, 2006, Henry County's annual pension cost of \$1,559,126 to TCRS was equal to Henry 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. Henry County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was 10 years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

#### **Trend Information**

<b>Fiscal Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
6-30-06	\$1,559,126	100%	\$0
6-30-05	1,471,552	100	0
6-30-04	1,109,755	100	0

**Required Supplementary Information**  
Schedule of Funding Progress for Henry County

(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)
6-30-05	\$45,805	\$47,741	\$1,936	95.94%	\$25,380	7.63%
6-30-03	40,201	42,383	2,182	94.85	20,420	10.69
6-30-01	35,553	37,869	2,316	93.88	17,582	13.17

**SCHOOL TEACHERS**

Plan Description

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

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

Building, Nashville, TN 37243-0230 or can be accessed at [www.treasury.state.tn.us](http://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 Henry County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2006, was 5.5 percent of annual covered payroll. The employer contribution requirement for the Henry 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, 2006, 2005, and 2004, were \$563,119, \$550,786, and \$326,917, respectively, equal to the required contributions for each year.

### **H. Other Post-employment Benefits**

In addition to the retirement commitments described above, the Henry County School Department provides post-retirement health care benefits, in accordance with contract provisions, to all certified employees that meet length of employment criteria of ten years of service with the Henry County School System and a total of 25 years teaching experience. The School Department pays medical insurance in full for a single individual for a maximum of seven years or until Medicare becomes available. Expenditures for post-retirement health care benefits are recognized as premiums and are paid monthly. During the year, expenditures totaling \$65,938 were recognized for post-employment health care.

### **I. Purchasing Laws**

#### Office of County Mayor

Purchasing procedures for the County Mayor's Office are governed by provisions of the County Purchasing Law of 1983, Section 5-14-201, Tennessee Code Annotated (TCA), which provides for purchases exceeding \$5,000 to be made after public advertisement and solicitation of competitive bids.

#### Office of County Road Supervisor

Purchasing procedures for the Highway Department are governed by Chapter 326, Private Acts of 1972, as amended, and the Uniform Road Law, Section 54-7-113, TCA. The Uniform Road Law provides for purchases exceeding \$10,000 to be made on the basis of publicly advertised competitive bids.

### Office of Director of Schools

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

## **VI. OTHER NOTES – DISCRETELY PRESENTED HENRY COUNTY MEDICAL CENTER**

### **A. Nature of Operations**

The Henry County Medical Center is a political subdivision of Henry County, Tennessee. The medical center provides comprehensive healthcare services through the operation of an acute care hospital, nursing home (healthcare center), home health agency (HHA), and emergency medical services agency (EMS). It is governed by a Board of Trustees under the authority of the Henry County Commission and the Henry County Hospital District. The Henry County Commission appoints the Board of Trustees of the medical center which may not issue debt without the county's approval. Under accounting principles generally accepted in the United States of America, the medical center constitutes a component unit of the county for financial reporting purposes.

### **B. Summary of Significant Accounting Policies**

The medical center utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis.

#### **1. Basis of Presentation**

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the medical center has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), that do not conflict with or contradict GASB pronouncements.

#### **2. Inventories**

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

3. **Assets Limited as to Use**

Assets limited as to use include cash and cash equivalents designated by the Board of Trustees for future capital improvements and debt repayment, over which the board retains control and may at its discretion, use for other purposes. Investments are reported at fair value.

4. **Cash, Cash Equivalents, and Investments**

For the purpose of the statement of cash flows, cash and cash equivalents are defined as cash on hand or in banks and investments with original maturities at date of purchase of less than three months, excluding assets limited as to use.

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

At June 30, 2006, the total carrying value of the medical center's cash, cash equivalents and investments, including assets limited as to use, was \$20,981,122, and the bank balance was \$21,882,427. The entire financial institution balance was covered by federal depository insurance or by collateral held by the trustee in the medical center's name.

A 50 percent interest in a joint venture that provides cancer care services in the Henry County area is included in long-term investments on the accompanying balance sheet. This investment is accounted for under the equity method. The investment balance included in long-term investments is \$834,000 at June 30, 2006.

5. **Property and Equipment**

Property and equipment acquisitions are recorded at cost. The medical center capitalizes purchases that cost a minimum of \$500 and have a useful life greater than two years. Assets are depreciated on a straight-line basis over their estimated useful lives as follows: land improvements 5-20 years; buildings and improvements 5-40 years;

capital equipment 10-20 years; and major movable equipment 5-20 years.

**6. Patient Service Revenue**

The medical center has agreements with third-party payors that provide for payments to the medical center at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Patient service revenue is net of contractual adjustments and policy discounts of approximately \$71,000,000 for the year ended June 30, 2006. For the year ended June 30, 2006, approximately 45 percent of net patient service revenue was from Medicare and approximately 17 percent was from Medicaid/TennCare.

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

**7. Costs of Borrowing**

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

**8. Pension Plan**

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

**9. Compensated Absences**

The medical center provides its full-time employees with paid days off for holiday, vacation, sick, and bereavement absences. The paid days off begin accruing after a three-month probationary period and are based on the table which follows. Such days may be taken only after the employee has earned them. All earned days must be taken annually, except that an employee may carry forward up to the

normal number of hours worked in a four-week period. Such liabilities have been accrued in the accompanying balance sheet.

<u>Years of Service</u>	<u>Days Earned Per Year</u>
0-5	20
5-10	25
10 or more	30

**10. Risk Management**

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

**11. Net Assets**

All resources that are not restricted by donors are included in unrestricted net assets. Resources temporarily restricted by donors for specific purposes are reported as temporarily restricted net assets. When specific purposes are achieved, either through passage of a stipulated time or the purpose for restriction is accomplished, they are classified to unrestricted net assets and reported in the statement of revenues, expenses, and changes in net assets. Resources temporarily restricted by donors for additions to land, building, and equipment are initially reported as temporarily restricted net assets and are transferred to unrestricted net assets when expended. Donor-imposed restrictions which stipulate that the resources be maintained permanently are reported as permanently restricted net assets. Investment income for the permanently restricted net assets is classified as either temporarily restricted or unrestricted based on the intent of the donor. At June 30, 2006, there were no permanently or temporarily restricted net assets.

**12. Income Taxes**

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

**13. Performance Indicator**

Excess of revenue over expenses reflected in the accompanying statements of revenue, expenses, and changes in net assets is a performance indicator.

**14. Long-lived Assets**

Management evaluates the recoverability of its investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

**15. Use of Estimates**

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

**C. Third-party Reimbursement Programs**

The medical center receives revenue under various third-party reimbursement programs which include Medicare, TennCare, and other third-party payors. Contractual adjustments under third-party reimbursement programs represent the difference between the medical center's billings at its established rates and the amounts reimbursed by third-party payors. They also include any differences between estimated third-party reimbursement settlements for prior years and subsequent tentative or final settlements. The adjustments resulting from tentative or final settlements to estimated reimbursement amounts resulted in an increase to revenue of approximately \$5,000 for the year ended June 30, 2006.

**1. Medicare**

The medical center is paid for substantially all services rendered to inpatient Medicare program beneficiaries under prospectively determined rates-per-discharge. Those rates vary according to a classification system that is based on clinical, diagnostic, and other factors. The medical center is paid for outpatient, home health, emergency medical services, and psychiatric services under a Medicare program known as the Ambulatory Payment Classification (APC) system. Under the APC system, outpatient services are classified into APC categories based on standard procedure codes (CPT-4 Codes) for the service provided and payment for the APC categories are determined using prospectively determined federal payment rates adjusted for geographical area wage differences. The medical center receives cash payments at an interim rate with final

settlement determined after the medical center's submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The medical center's classification of patients under the Medicare Prospective Payment System and the appropriateness of the patients' admissions are subject to validation reviews by the Medicare peer review organization.

**2. Medicaid**

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

**3. TennCare**

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

**4. Commercial Payors**

The medical center has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the medical center under these agreements includes prospectively determined rates per discharge and discounts from established rates.

**5. Credit Concentration**

The medical center grants credit to patients and generally does not require collateral or other security in extending credit; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans or policies. At June 30, 2006, the medical center had receivables from the Federal Government (Medicare) of approximately \$2,660,000 and from Medicaid/TennCare of approximately \$1,300,000.

**D. Charity Care**

Charges excluded from revenue under the medical center's charity care policy were \$1,536,174 for the year ended June 30, 2006.

## E. Inventories

A summary of inventories as of June 30, 2006, is as follows:

Medical stores	\$ 119,480
Dietary	22,087
Departmental	<u>1,323,773</u>
Total	<u>\$ 1,465,340</u>

## F. Property and Equipment

The major classifications and changes in property and equipment as of and for the year ended June 30, 2006, are as follows:

	Balance 7-1-05	Additions/ Transfers	Placed in Service/ Retirements	Balance 6-30-06
Land	\$ 455,288	\$ 199,753	\$ 0	\$ 655,041
Land Improvements	1,209,775	0	0	1,209,775
Building and Improvements	39,194,765	476,431	0	39,671,196
Machinery and Equipment	26,017,247	1,933,475	(732,124)	27,218,598
Total	<u>\$ 66,877,075</u>	<u>\$ 2,609,659</u>	<u>\$ (732,124)</u>	<u>\$ 68,754,610</u>
Less allowance for depreciation and amortization:				
Land Improvements	\$ (781,403)	\$ (87,307)	\$ 0	\$ (868,710)
Building and Improvements	(11,597,764)	(1,736,806)	0	(13,334,570)
Machinery and Equipment	(19,307,513)	(1,867,293)	723,440	(20,451,366)
Total	<u>\$ (31,686,680)</u>	<u>\$ (3,691,406)</u>	<u>\$ 723,440</u>	<u>\$ (34,654,646)</u>
Subtotal	\$ 35,190,395	\$ (1,081,747)	\$ (8,684)	\$ 34,099,964
Construction in Progress	206,120	1,554,201	(293,442)	1,466,879
Total Capital Assets, Net	<u>\$ 35,396,515</u>	<u>\$ 472,454</u>	<u>\$ (302,126)</u>	<u>\$ 35,566,843</u>

The medical center is in the process of constructing various expansions and additions to the existing facilities. The total cost of these projects is expected to be approximately \$4,400,000. No interest costs were capitalized during the year ended June 30, 2006.

**G. Long-term Debt**

A schedule of changes in the medical center's long-term debt as of and for the year ended June 30, 2006, is as follows:

	Balance 7-1-05	Additions	Reductions	Balance 6-30-06	Amounts Due Within One Year
Public Building Authority of the County of Montgomery, Tennessee - Series 1997	\$ 2,569,000	\$ 0	\$ (311,000)	\$ 2,258,000	\$ 328,000
Public Building Authority of the County of Montgomery, Tennessee - Series 2002	15,740,000	0	(409,000)	15,331,000	429,000
Hospital Revenue Bonds - Series 2003	780,000	0	(250,000)	530,000	260,000
Other Debt	0	251,424	(10,476)	240,948	94,000
<b>Total</b>	<b>\$ 19,089,000</b>	<b>\$ 251,424</b>	<b>\$ (980,476)</b>	<b>\$ 18,359,948</b>	<b>\$ 1,111,000</b>

During September 1997, the medical center entered into a loan agreement with the Public Building Authority of the County of Montgomery, Tennessee, whereby, the authority loaned the medical center \$4,500,000 for the construction, acquisition, and enlargement of its buildings, structures, and facilities. As of June 30, 2006, the medical center had outstanding borrowings of \$2,258,000 under this agreement. The loan agreement bears interest at an adjustable rate (four percent as of June 30, 2006), and is due in annual installments varying between \$328,000 and \$428,000 through May 25, 2012. The adjustable interest rate is adjusted weekly as determined by the remarketing agent.

During June 2002, the medical center entered into an additional loan agreement with the Public Building Authority of the County of Montgomery, Tennessee, whereby, the authority agreed to loan the medical center up to \$16,500,000 for the construction, acquisition, and enlargement of its buildings and facilities. As of June 30, 2006, the medical center had outstanding borrowings of \$15,331,000 under this agreement. The loan agreement bears interest at an adjustable rate (4.1 percent as of June 30, 2006), and is due in annual installments varying between \$429,000 and \$1,139,000 through May 25, 2027. The adjustable interest rate is adjusted daily as determined by the remarketing agent.

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

During January 2003, the medical center issued the Hospital Revenue Bonds, Series 2003 (2003 Revenue Bonds) resulting in gross proceeds of \$1,545,000 which were used to advance refund the Hospital Revenue Bonds, Series 1992 (1992 Revenue Bonds) and to pay a portion of the costs of issuance. The 1992 Revenue Bonds were primarily used to fund the costs associated with capital improvements of the medical center. Also as a result of the refinancing, the medical center was legally released as the obligor of the 1992 Revenue Bonds. The 2003 Revenue Bonds bear interest at rates varying between two percent and 2.5 percent and is due in semi-annual installments. The principal is due in annual installments varying between \$260,000 and \$270,000 through September 2007. The 2003 Revenue Bonds are not subject to early redemption.

A summary of future maturities and interest of long-term debt, as of June 30, 2006, is as follows:

Year	Principal	Estimated Interest	Total Payments
2007	\$ 1,111,000	\$ 712,000	\$ 1,823,000
2008	1,193,000	674,000	1,867,000
2009	858,948	639,000	1,497,948
2010	882,000	604,000	1,486,000
2011	928,000	567,000	1,495,000
2012-2016	3,455,000	2,367,000	5,822,000
2017-2021	3,863,000	1,656,000	5,519,000
2022-2026	4,930,000	759,000	5,689,000
2027	1,139,000	23,000	1,162,000
Total	\$ 18,359,948	\$ 8,001,000	\$ 26,360,948

## **H. Employee Benefit Plans**

### Pension Plan Description

Employees of Henry County, which includes Henry County Medical Center, a discretely presented component unit, 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 Henry 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](http://www.treasury.state.tn.us). Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

**I. Deferred Compensation Plan**

Effective January 1, 2002, the medical center established a deferred compensation plan under Section 457 of the Internal Revenue Code. Employees become eligible to participate in the plan on their first day of employment. The medical center does not make any contributions to the plan nor does it bear any of the administrative costs.

**J. Commitments and Contingencies**

The medical center leases various equipment under operating lease agreements. Rent expense was \$737,914 in 2006.

A summary of future minimum payments under these equipment leases as of June 30, 2006, is as follows:

<u>Year</u>	
2007	\$ 96,000
2008	<u>5,000</u>
Total	<u>\$ 101,000</u>

The medical center maintains commercial insurance on a claims-made basis for medical malpractice liabilities. Insurance coverages are \$250,000 individually, and \$750,000 in the aggregate annually, which is consistent with current litigation settlement limitations established by the State of Tennessee for governmental entities. Management intends to maintain such coverages in the future. The medical center is involved in litigation arising in the ordinary course of business; however, management is of the opinion that insurance coverages are adequate to cover any potential losses on asserted claims. Management is unaware of any incidents which would ultimately result in a loss in excess of the medical center's insurance coverages.

The medical center is self-insured for a portion of employee medical and other healthcare benefits and workers' compensation claims. The risk of loss retained by the medical center is limited to \$90,000 and \$350,000 per occurrence for employee health and workers' compensation, respectively. The medical center has purchased excess insurance to provide coverage for claims in excess of the self-insured retention. Contributions by the medical center for employee health are based on actuarial estimates, while contributions for workers' compensation are based on actual claims experience. Claims expense and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include a provision for estimated claims incurred but not reported. Reserves included within accrued expenses related to employee medical and other healthcare benefits amounted to \$750,000 in 2006. Reserves included within accrued expenses related to workers' compensation claims amounted to \$584,867 in 2006.

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

The medical center serves as the guarantor on debt issued to the joint venture in which it holds a 50 percent interest. The balance of the debt as of June 30, 2006, was approximately \$630,000.

**K. Functional Expenses**

The following is a summary of management's functional classification of operating expenses:

Healthcare services	\$ 36,468,270
General and administrative	<u>22,469,129</u>
Total	<u><u>\$ 58,937,399</u></u>

**VII. OTHER NOTES – DISCRETELY PRESENTED HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**A. Nature of Activities and Summary of Significant Accounting Policies**

**1. Nature of Activities**

The Henry County Emergency Communications District is a nonprofit organization, established under Tennessee law. The district was organized in 1989 to provide Emergency 911 service to the residents of Henry County. Although the district is considered a municipality under its enabling legislation, it cannot levy or collect taxes and the charges for services shall not be considered or classified as taxes. A volunteer board of directors who are appointed by the district's primary government manages the district. All Tennessee emergency communications districts are required to follow the Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts, developed by the Office of the Comptroller of the Treasury, Division of County Audit, pursuant to Section 7-86-304, Tennessee Code Annotated.

The Henry County Emergency Communications District is a discretely presented component unit of Henry County, Tennessee, and the financial statements are presented in both the district's separate financial report and within the Henry County, Tennessee, financial report. The district is considered a discretely presented component unit of Henry County as defined under the criteria set forth in Governmental Accounting Standards Board Statement No. 14, because the district would be unable to issue debt without going through Henry County, Tennessee.

**2. Basis of Accounting and Financial Statement Presentation**

The term basis of accounting is used to determine when a transaction or event is recognized on the district's operating statement. The district uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned, and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

The Governmental Accounting Standards Board (GASB) exercises jurisdiction over accounting and financial reporting for governments. The Financial Accounting Standards Board (FASB) exercises jurisdiction over private enterprises and nonprofits. The Office of the Comptroller of the Treasury requires Tennessee emergency communications districts to follow option one of GASB Statement No. 20. This option requires the district to follow only GASB guidance

after November 30, 1989, and not to follow any FASB guidance after that date.

**3. Use of Estimates**

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

**4. Accounts Receivable**

Accounts receivable represent amounts due from various phone companies for emergency telephone surcharges and monthly reimbursable wireless fees.

**5. Budgetary Policies**

The district's board of directors approves an appropriatory budget annually. The budget is prepared on a basis, which differs from generally accepted accounting principles (GAAP) pertaining to proprietary funds, in that expenses are on the cash basis rather than the accrual basis. It is only necessary to present budgetary revenues and expenses compared to actual. The legal level of control is at each line item of expense; therefore, each line item must be amended prior to expending funds.

**6. Cash and Cash Equivalents**

For purposes of the statement of net assets and the statement of cash flows, Henry County Emergency Communications District considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

State statutes authorize the district to invest in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities, obligations by the U.S. government or its agencies, repurchase agreements, as approved by the state director of Local Finance, and the state's local government pool.

**7. Capital Assets**

The district defines capital assets as assets with an initial cost of more than \$200 and an estimated useful life in excess of one year. Additions to capital assets are recorded at acquisition cost or estimated market value at the date of donation in the case of donated property. Depreciation is recorded using the following guidelines:

<u>Assets</u>	<u>Years</u>
Office Furniture and Fixtures	10
Equipment	10
Vehicles	5
Building and Improvements	40
Leasehold Improvements (Life of the Lease or Life of the Assets, Whichever is Less)	

Capital asset activity during the year was as follows:

	Balance 7-1-05	Prior Period Adjustments	Additions	Balance 6-30-06
Capital assets being depreciated:				
Furniture and fixtures	\$ 33,612	\$ 0	\$ 0	\$ 33,612
Office equipment	11,305	0	2,446	13,751
Communications equipment	522,441	0	3,387	525,828
Vehicles	22,688	0	0	22,688
Total capital assets being depreciated	<u>\$ 590,046</u>	<u>\$ 0</u>	<u>\$ 5,833</u>	<u>\$ 595,879</u>
Less accumulated depreciation:				
Furniture and fixtures	\$ 10,049	\$ 0	\$ 3,224	\$ 13,273
Office equipment	6,723	0	1,675	8,398
Communications equipment	272,560	(150)	35,869	308,279
Vehicles	22,218	0	72	22,290
Total accumulated depreciation	<u>\$ 311,550</u>	<u>\$ (150)</u>	<u>\$ 40,840</u>	<u>\$ 352,240</u>
Total capital assets, net	<u>\$ 278,496</u>	<u>\$ 150</u>	<u>\$ (35,007)</u>	<u>\$ 243,639</u>

## 8. Income Taxes

Henry County Emergency Communications District is a tax-exempt organization under Section 115 of the Internal Revenue Code and, accordingly, no provision for federal income taxes has been made.

## B. Deposits and Investments

The district has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures for financial reporting of deposit risk.

Custodial Credit Risk – The district’s policies limit investments to those instruments allowed by applicable state laws. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105 percent of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance of the Tennessee Bank Collateral Pool, by collateral held by the district’s agent in the district’s name, or by the Federal Reserve Banks acting as third party agents. As of June 30, 2006, all bank deposits were fully collateralized or insured.

**C. Major Revenue Source**

Revenue for operation and maintenance of the Henry County Emergency Communications District is generated by a surcharge placed on residential and business phone lines. The major source is collected by Bellsouth Telephone Company and remitted to the district monthly less a one percent administrative fee. The district also collects revenue generated by wireless phone users. The Tennessee Emergency Communications Board collects the revenue and distributes 25 percent of the funds to the emergency communications districts based on the proportion of the population of each district to that of the state, according to the latest census.

**D. Risk Management**

The district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the district is covered through commercial insurance. Workers’ Compensation is covered through the Tennessee Municipal League Risk Management Pool. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**E. Prior Period Adjustment**

A prior period adjustment of \$150 was made to correct the prior year’s accumulated depreciation of communications equipment.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit E-1

Henry County, Tennessee  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance - Actual (Budgetary Basis) and Budget  
 General Fund  
 For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 4,656,132	\$ 0	\$ 0	\$ 4,656,132	\$ 4,556,697	\$ 4,562,293	\$ 93,839
Licenses and Permits	96,299	0	0	96,299	89,000	89,000	7,299
Fines, Forfeitures, and Penalties	252,409	0	0	252,409	248,450	256,792	(4,383)
Charges for Current Services	100,966	0	0	100,966	125,990	125,990	(25,024)
Other Local Revenues	263,863	0	0	263,863	297,802	306,602	(42,739)
Fees Received from County Officials	1,522,761	0	0	1,522,761	1,378,300	1,378,300	144,461
State of Tennessee	1,057,281	0	0	1,057,281	1,209,365	1,400,230	(342,949)
Federal Government	571,137	0	0	571,137	322,606	623,120	(51,983)
Other Governments and Citizens Groups	143,699	0	0	143,699	104,000	112,693	31,006
<b>Total Revenues</b>	<b>\$ 8,664,547</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 8,664,547</b>	<b>\$ 8,332,210</b>	<b>\$ 8,855,020</b>	<b>\$ (190,473)</b>
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 24,370	\$ 0	\$ 0	\$ 24,370	\$ 22,650	\$ 24,388	\$ 18
Board of Equalization	560	0	0	560	2,000	605	45
Other Boards and Committees	5,075	0	0	5,075	6,000	6,000	925
County Mayor/Executive	181,464	0	0	181,464	184,484	185,484	4,020
County Attorney	18,036	0	0	18,036	18,036	18,036	0
Election Commission	98,775	0	0	98,775	116,988	116,988	18,213
Register of Deeds	176,534	0	0	176,534	174,659	177,459	925
Building	65,436	0	0	65,436	63,094	66,694	1,258
County Buildings	152,858	0	0	152,858	146,000	155,602	2,744
Other General Administration	142,173	(33,955)	0	108,218	109,084	109,084	866
Preservation of Records	1,492	0	0	1,492	1,500	1,500	8
<u>Finance</u>							
Accounting and Budgeting	80,556	0	0	80,556	82,043	82,043	1,487
Property Assessor's Office	187,418	0	0	187,418	192,491	193,091	5,673

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Finance (Cont.)</u>							
Reappraisal Program	\$ 69,210	\$ 0	\$ 0	\$ 69,210	\$ 79,311	\$ 79,861	\$ 10,651
County Trustee's Office	156,738	0	0	156,738	156,717	157,952	1,214
County Clerk's Office	204,974	0	0	204,974	222,716	226,016	21,042
<u>Administration of Justice</u>							
Circuit Court	191,566	0	0	191,566	196,073	198,373	6,807
General Sessions Court	69,611	0	0	69,611	69,611	69,611	0
General Sessions Judge	140,379	0	0	140,379	141,844	142,144	1,765
Drug Court	13,727	0	0	13,727	0	13,727	0
Chancery Court	147,813	0	0	147,813	157,208	157,508	9,695
Juvenile Court	139,480	0	0	139,480	154,642	155,592	16,112
Other Administration of Justice	490	0	0	490	10,000	10,000	9,510
<u>Public Safety</u>							
Sheriff's Department	1,463,754	0	0	1,463,754	1,645,597	1,649,290	185,536
Special Patrols	69,430	0	0	69,430	74,000	74,000	4,570
Jail	1,009,859	0	0	1,009,859	1,120,687	1,139,687	129,828
Juvenile Services	57,781	0	0	57,781	57,787	57,787	6
Fire Prevention and Control	430,343	0	0	430,343	428,595	432,293	1,950
Rescue Squad	4,800	0	0	4,800	4,800	4,800	0
Other Emergency Management	216,386	0	0	216,386	185,252	298,088	81,702
County Coroner/Medical Examiner	39,211	0	0	39,211	23,700	40,225	1,014
Public Safety Grant Programs	0	0	0	0	36,597	36,597	36,597
<u>Public Health and Welfare</u>							
Local Health Center	62,064	0	0	62,064	58,570	83,745	21,681
Rabies and Animal Control	3,627	0	0	3,627	4,000	4,000	373
Maternal and Child Health Services	1,500	0	0	1,500	1,500	1,500	0
Alcohol and Drug Programs	12,000	0	0	12,000	12,000	12,000	0

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Public Health and Welfare (Cont.)</u>							
Crippled Children Services	\$ 2,660	\$ 0	\$ 0	\$ 2,660	\$ 2,660	\$ 2,660	\$ 0
Other Local Health Services	21,577	0	0	21,577	16,850	21,850	273
Sanitation Management	17,464	0	0	17,464	16,548	19,248	1,784
<u>Social, Cultural, and Recreational Services</u>							
Adult Activities	102,298	0	0	102,298	109,667	109,917	7,619
Senior Citizens Assistance	800	0	0	800	800	800	0
Libraries	112,905	0	0	112,905	104,030	104,030	(8,875)
Parks and Fair Boards	21,000	0	0	21,000	21,000	21,000	0
Other Social, Cultural, and Recreational	81,225	0	0	81,225	76,500	82,900	1,675
<u>Agriculture &amp; Natural Resources</u>							
Agriculture Extension Service	93,992	0	0	93,992	106,593	107,593	13,601
Soil Conservation	28,230	0	0	28,230	28,181	28,431	201
Flood Control	21,808	0	0	21,808	21,808	21,808	0
<u>Other Operations</u>							
Tourism	21,748	0	60,000	81,748	25,550	108,456	26,708
Tourism-Resort District	28,200	0	0	28,200	0	28,200	0
Industrial Development	137,102	(82,715)	0	54,387	137,209	137,209	82,822
Airport	293,587	0	0	293,587	292,074	294,601	1,014
Veterans' Services	30,017	0	0	30,017	30,049	30,299	282
Other Charges	114,658	0	0	114,658	101,308	115,414	756
Contributions to Other Agencies	162,615	0	0	162,615	69,993	195,765	33,150
Employee Benefits	1,094,986	0	0	1,094,986	1,168,333	1,154,983	59,997
Miscellaneous	13,377	0	0	13,377	435,000	26,206	12,829
Total Expenditures	\$ 8,039,739	\$ (116,670)	\$ 60,000	\$ 7,983,069	\$ 8,724,389	\$ 8,793,140	\$ 810,071
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 624,808	\$ 116,670	\$ (60,000)	\$ 681,478	\$ (392,179)	\$ 61,880	\$ 619,598

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (440,100)	\$ 0	\$ 0	\$ (440,100)	\$ 0	\$ (437,000)	\$ (3,100)
Total Other Financing Sources (Uses)	\$ (440,100)	\$ 0	\$ 0	\$ (440,100)	\$ 0	\$ (437,000)	\$ (3,100)
Net Change in Fund Balance	\$ 184,708	\$ 116,670	\$ (60,000)	\$ 241,378	\$ (392,179)	\$ (375,120)	\$ 616,498
Fund Balance, July 1, 2005	3,066,232	(116,670)	0	2,949,562	2,820,732	3,066,232	(116,670)
Prior Period Adjustment	94,263	0	0	94,263	0	0	94,263
Fund Balance, June 30, 2006	\$ 3,345,203	\$ 0	\$ (60,000)	\$ 3,285,203	\$ 2,428,553	\$ 2,691,112	\$ 594,091

Exhibit E-2

Henry 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, 2006

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 1,360,352	\$ 0	\$ 1,360,352	\$ 1,278,428	\$ 1,278,428	\$ 81,924
Other Local Revenues	35,065	0	35,065	16,700	21,919	13,146
State of Tennessee	2,224,386	0	2,224,386	2,444,575	2,442,075	(217,689)
Total Revenues	\$ 3,619,803	\$ 0	\$ 3,619,803	\$ 3,739,703	\$ 3,742,422	\$ (122,619)
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 244,578	\$ 0	\$ 244,578	\$ 244,962	\$ 245,266	\$ 688
Highway and Bridge Maintenance	1,258,117	0	1,258,117	1,404,492	1,475,992	217,875
Operation and Maintenance of Equipment	569,511	0	569,511	508,185	592,208	22,697
Quarry Operations	0	0	0	1,000	55	55
Litter and Trash Collection	35,281	0	35,281	37,781	35,281	0
Other Charges	205,532	0	205,532	204,226	222,492	16,960
Employee Benefits	442,154	0	442,154	469,045	469,045	26,891
Capital Outlay	1,052,500	345,888	1,398,388	1,552,000	1,537,027	138,639
Total Expenditures	\$ 3,807,673	\$ 345,888	\$ 4,153,561	\$ 4,421,691	\$ 4,577,366	\$ 423,805
Excess (Deficiency) of Revenues Over Expenditures	\$ (187,870)	\$ (345,888)	\$ (533,758)	\$ (681,988)	\$ (834,944)	\$ (301,186)
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 150,000	\$ 0	\$ 150,000	\$ 0	\$ 150,000	\$ 0
Transfers In	428,100	0	428,100	425,000	425,000	3,100
Total Other Financing Sources (Uses)	\$ 578,100	\$ 0	\$ 578,100	\$ 425,000	\$ 575,000	\$ 3,100
Extraordinary Item - Tornado Damage	\$ 152,956	\$	\$ 152,956	\$ 0	\$ 152,956	\$ 0
Net Change in Fund Balance	\$ 543,186	\$ (345,888)	\$ 197,298	\$ (256,988)	\$ (106,988)	\$ 304,286
Fund Balance, July 1, 2005	604,740	0	604,740	481,988	604,740	0
Fund Balance, June 30, 2006	\$ 1,147,926	\$ (345,888)	\$ 802,038	\$ 225,000	\$ 497,752	\$ 304,286

**HENRY COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2006**

**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 Henry 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, Other Boards and Committees, County Mayor/Executive, etc.). Management may make revisions within major categories, but only the Henry County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

**B. CASH SHORTAGE**

The General Fund has a cash shortage of \$118,878 at June 30, 2006. Details of this cash shortage are discussed in the Schedule of Findings and Questioned Costs in the Single Audit Section of this report.

**C. EXPENDITURES EXCEEDED APPROPRIATIONS**

Expenditures and encumbrances exceeded appropriations approved by the County Commission in the Libraries and Transfers Out major appropriation categories (the legal level of control) of the General Fund by \$8,875 and \$3,100, respectively. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for Henry 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.

## Capital Projects Fund

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

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

Exhibit F-1

Henry County, Tennessee  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2006

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Total	General Capital Projects	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 19,009	\$ 19,009	\$ 0	\$ 19,009
Equity in Pooled Cash and Investments	347,963	62,481	0	410,444	114,667	525,111
Due from Other Governments	5,809	0	0	5,809	0	5,809
Property Taxes Receivable	284,816	0	0	284,816	0	284,816
Allowance for Uncollectible Property Taxes	(3,324)	0	0	(3,324)	0	(3,324)
Cash Shortage	0	23,502	0	23,502	20,278	43,780
<b>Total Assets</b>	<b>\$ 635,264</b>	<b>\$ 85,983</b>	<b>\$ 19,009</b>	<b>\$ 740,256</b>	<b>\$ 134,945</b>	<b>\$ 875,201</b>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 26,313	\$ 30	\$ 0	\$ 26,343	\$ 0	\$ 26,343
Due to Other Funds	0	0	19,009	19,009	0	19,009
Deferred Revenue - Current Property Taxes	271,549	0	0	271,549	0	271,549
Deferred Revenue - Delinquent Property Taxes	9,091	0	0	9,091	0	9,091
<b>Total Liabilities</b>	<b>\$ 306,953</b>	<b>\$ 30</b>	<b>\$ 19,009</b>	<b>\$ 325,992</b>	<b>\$ 0</b>	<b>\$ 325,992</b>
<u>Fund Balances</u>						
Reserved for Purchase of Electronic Fingerprint Imaging System	\$ 0	\$ 13,602	\$ 0	\$ 13,602	\$ 0	\$ 13,602
Unreserved	328,311	72,351	0	400,662	134,945	535,607
<b>Total Fund Balances</b>	<b>\$ 328,311</b>	<b>\$ 85,953</b>	<b>\$ 0</b>	<b>\$ 414,264</b>	<b>\$ 134,945</b>	<b>\$ 549,209</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 635,264</b>	<b>\$ 85,983</b>	<b>\$ 19,009</b>	<b>\$ 740,256</b>	<b>\$ 134,945</b>	<b>\$ 875,201</b>

Exhibit F-2

Henry County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2006

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Total	General Capital Projects	
<u>Revenues</u>						
Local Taxes	\$ 280,984	\$ 0	\$ 0	\$ 280,984	\$ 0	\$ 280,984
Fines, Forfeitures, and Penalties	0	35,737	0	35,737	0	35,737
Charges for Current Services	0	0	6,861	6,861	0	6,861
Other Local Revenues	163,689	18,662	0	182,351	0	182,351
State of Tennessee	28,188	0	0	28,188	0	28,188
Federal Government	0	0	0	0	51,949	51,949
Other Governments and Citizens Groups	0	4,895	0	4,895	0	4,895
Total Revenues	<u>\$ 472,861</u>	<u>\$ 59,294</u>	<u>\$ 6,861</u>	<u>\$ 539,016</u>	<u>\$ 51,949</u>	<u>\$ 590,965</u>
<u>Expenditures</u>						
Current:						
Administration of Justice	\$ 0	\$ 0	\$ 6,861	\$ 6,861	\$ 0	\$ 6,861
Public Safety	0	16,357	0	16,357	0	16,357
Public Health and Welfare	485,551	0	0	485,551	0	485,551
Other Operations	5,446	0	0	5,446	0	5,446
Capital Projects	0	0	0	0	152,161	152,161
Total Expenditures	<u>\$ 490,997</u>	<u>\$ 16,357</u>	<u>\$ 6,861</u>	<u>\$ 514,215</u>	<u>\$ 152,161</u>	<u>\$ 666,376</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (18,136)	\$ 42,937	\$ 0	\$ 24,801	\$ (100,212)	\$ (75,411)
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 269,000	\$ 269,000
Transfers In	0	0	0	0	12,000	12,000
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 281,000</u>	<u>\$ 281,000</u>
Net Change in Fund Balances	\$ (18,136)	\$ 42,937	\$ 0	\$ 24,801	\$ 180,788	\$ 205,589
Fund Balance, July 1, 2005	346,447	20,344	0	366,791	(66,121)	300,670
Prior Period Adjustment	0	22,672	0	22,672	20,278	42,950
Fund Balance, June 30, 2006	<u>\$ 328,311</u>	<u>\$ 85,953</u>	<u>\$ 0</u>	<u>\$ 414,264</u>	<u>\$ 134,945</u>	<u>\$ 549,209</u>

Exhibit F-3

Henry County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 280,984	\$ 274,082	\$ 274,082	\$ 6,902
Other Local Revenues	163,689	156,300	163,300	389
State of Tennessee	28,188	51,433	51,433	(23,245)
Total Revenues	<u>\$ 472,861</u>	<u>\$ 481,815</u>	<u>\$ 488,815</u>	<u>\$ (15,954)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 48,333	\$ 49,168	\$ 49,318	\$ 985
Recycling Center	356,686	422,310	433,957	77,271
Landfill Operation and Maintenance	50,150	54,500	54,500	4,350
Other Waste Disposal	30,382	29,000	30,382	0
<u>Other Operations</u>				
Other Charges	5,446	7,000	7,000	1,554
Total Expenditures	<u>\$ 490,997</u>	<u>\$ 561,978</u>	<u>\$ 575,157</u>	<u>\$ 84,160</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (18,136)</u>	<u>\$ (80,163)</u>	<u>\$ (86,342)</u>	<u>\$ 68,206</u>
Net Change in Fund Balance	\$ (18,136)	\$ (80,163)	\$ (86,342)	\$ 68,206
Fund Balance, July 1, 2005	<u>346,447</u>	<u>346,559</u>	<u>346,447</u>	<u>0</u>
Fund Balance, June 30, 2006	<u>\$ 328,311</u>	<u>\$ 266,396</u>	<u>\$ 260,105</u>	<u>\$ 68,206</u>

Exhibit F-4

Henry County, Tennessee  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance - Actual and Budget  
 Drug Control Fund  
 For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 35,737	\$ 17,500	\$ 17,500	\$ 18,237
Other Local Revenues	18,662	9,000	9,000	9,662
Other Governments and Citizens Groups	4,895	0	5,140	(245)
Total Revenues	<u>\$ 59,294</u>	<u>\$ 26,500</u>	<u>\$ 31,640</u>	<u>\$ 27,654</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 16,357	\$ 23,450	\$ 23,690	\$ 7,333
Total Expenditures	<u>\$ 16,357</u>	<u>\$ 23,450</u>	<u>\$ 23,690</u>	<u>\$ 7,333</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 42,937</u>	<u>\$ 3,050</u>	<u>\$ 7,950</u>	<u>\$ 34,987</u>
Net Change in Fund Balance	\$ 42,937	\$ 3,050	\$ 7,950	\$ 34,987
Fund Balance, July 1, 2005	20,344	20,344	20,344	0
Prior Period Adjustment	22,672	0	0	22,672
Fund Balance, June 30, 2006	<u>\$ 85,953</u>	<u>\$ 23,394</u>	<u>\$ 28,294</u>	<u>\$ 57,659</u>

# **Major Governmental Fund**

## **General Debt Service Fund**

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

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Exhibit G

Henry County, Tennessee  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance - Actual and Budget  
 General Debt Service Fund  
 For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 714,275	\$ 677,549	\$ 677,549	\$ 36,726
Other Local Revenues	179,718	35,000	53,510	126,208
Other Governments and Citizens Groups	1,458,073	1,458,074	1,458,074	(1)
Total Revenues	\$ 2,352,066	\$ 2,170,623	\$ 2,189,133	\$ 162,933
<u>Expenditures</u>				
<u>Other Operations</u>				
Other Charges	\$ 11,003	\$ 10,000	\$ 11,000	\$ (3)
<u>Principal on Debt</u>				
General Government	700,000	700,000	700,000	0
Education	980,675	1,451,300	980,675	0
<u>Interest on Debt</u>				
General Government	106,922	102,400	107,087	165
Education	691,968	773,726	691,992	24
<u>Other Debt Service</u>				
General Government	9,836	8,000	9,913	77
Education	12,614	5,000	12,616	2
Total Expenditures	\$ 2,513,018	\$ 3,050,426	\$ 2,513,283	\$ 265
Excess (Deficiency) of Revenues Over Expenditures	\$ (160,952)	\$ (879,803)	\$ (324,150)	\$ 163,198
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 555,653	\$ 0	\$ 0
Total Other Financing Sources (Uses)	\$ 0	\$ 555,653	\$ 0	\$ 0
Net Change in Fund Balance	\$ (160,952)	\$ (324,150)	\$ (324,150)	\$ 163,198
Fund Balance, July 1, 2005	3,301,410	3,292,739	3,301,410	0
Fund Balance, June 30, 2006	\$ 3,140,458	\$ 2,968,589	\$ 2,977,260	\$ 163,198

# Fiduciary Funds

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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.

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

Watershed District Fund – The Watershed District Fund is used to account for prior years' acreage assessments collected on drainage district properties that are held in trust for the watershed district.

Special School District Fund – The Special School District Fund is used to account for property taxes collected for the Paris Special School District and the district's share of education revenues collected by the county that must be apportioned between the Henry County School System and the Paris Special School District on an average daily attendance basis. These collections are remitted to the Paris Special School District on a monthly basis.

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

Exhibit H-1

Henry County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
For the Year Ended June 30, 2006

	Agency Funds				Total
	Cities - Sales Tax	Watershed District	Special School District	Constitu- tional Officers - Agency	
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 0	\$ 1,606	\$ 208,989	\$ 0	\$ 210,595
Cash	0	0	0	989,699	989,699
Due from Other Governments	575,489	0	247,110	0	822,599
Property Taxes Receivable	0	0	3,082,537	0	3,082,537
Allowance for Uncollectible Property Taxes	0	0	(36,688)	0	(36,688)
Total Assets	<u>\$ 575,489</u>	<u>\$ 1,606</u>	<u>\$ 3,501,948</u>	<u>\$ 989,699</u>	<u>\$ 5,068,742</u>
<u>LIABILITIES</u>					
Due to Other Taxing Units	\$ 575,489	\$ 1,606	\$ 3,501,948	\$ 0	\$ 4,079,043
Due to Litigants, Heirs, and Others	0	0	0	989,699	989,699
Total Liabilities	<u>\$ 575,489</u>	<u>\$ 1,606</u>	<u>\$ 3,501,948</u>	<u>\$ 989,699</u>	<u>\$ 5,068,742</u>

Exhibit H-2

Henry County, Tennessee  
Combining Statement of Changes in Assets  
and Liabilities - All Agency Funds  
For the Year Ended June 30, 2006

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 3,210,092	\$ 3,210,092	\$ 0
Due From Other Governments	537,039	575,489	537,039	575,489
<b>Total Assets</b>	<b>\$ 537,039</b>	<b>\$ 3,785,581</b>	<b>\$ 3,747,131</b>	<b>\$ 575,489</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 537,039	\$ 3,785,581	\$ 3,747,131	\$ 575,489
<b>Total Liabilities</b>	<b>\$ 537,039</b>	<b>\$ 3,785,581</b>	<b>\$ 3,747,131</b>	<b>\$ 575,489</b>
<u>Watershed District Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 1,606	\$ 0	\$ 0	\$ 1,606
<b>Total Assets</b>	<b>\$ 1,606</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,606</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,606	\$ 0	\$ 0	\$ 1,606
<b>Total Liabilities</b>	<b>\$ 1,606</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,606</b>
<u>Special School District Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 211,316	\$ 4,360,227	\$ 4,362,554	\$ 208,989
Accounts Receivable	12,494	0	12,494	0
Due From Other Governments	208,286	247,110	208,286	247,110
Property Taxes Receivable	2,869,194	3,082,537	2,869,194	3,082,537
Allowance for Uncollectible Property Taxes	(70,672)	(36,688)	(70,672)	(36,688)
<b>Total Assets</b>	<b>\$ 3,230,618</b>	<b>\$ 7,653,186</b>	<b>\$ 7,381,856</b>	<b>\$ 3,501,948</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 3,230,618	\$ 7,653,186	\$ 7,381,856	\$ 3,501,948
<b>Total Liabilities</b>	<b>\$ 3,230,618</b>	<b>\$ 7,653,186</b>	<b>\$ 7,381,856</b>	<b>\$ 3,501,948</b>

(Continued)

## Exhibit H-2

Henry 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</u>				
<u>Assets</u>				
Cash	\$ 1,013,068	\$ 8,126,131	\$ 8,149,500	\$ 989,699
Total Assets	\$ 1,013,068	\$ 8,126,131	\$ 8,149,500	\$ 989,699
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,013,068	\$ 8,126,131	\$ 8,149,500	\$ 989,699
Total Liabilities	\$ 1,013,068	\$ 8,126,131	\$ 8,149,500	\$ 989,699
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 212,922	\$ 7,570,319	\$ 7,572,646	\$ 210,595
Cash	1,013,068	8,126,131	8,149,500	989,699
Accounts Receivable	12,494	0	12,494	0
Due from Other Governments	745,325	822,599	745,325	822,599
Property Taxes Receivable	2,869,194	3,082,537	2,869,194	3,082,537
Allowance for Uncollectible Property Taxes	(70,672)	(36,688)	(70,672)	(36,688)
Total Assets	\$ 4,782,331	\$ 19,564,898	\$ 19,278,487	\$ 5,068,742
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 3,769,263	\$ 11,438,767	\$ 11,128,987	\$ 4,079,043
Due to Litigants, Heirs, and Others	1,013,068	8,126,131	8,149,500	989,699
Total Liabilities	\$ 4,782,331	\$ 19,564,898	\$ 19,278,487	\$ 5,068,742

# Henry County School Department

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

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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 for specific education programs.

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

Exhibit I-1

Henry County, Tennessee  
Statement of Activities  
Discretely Presented Henry County School Department  
For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets Total Governmental Activities
Component Unit:				
Governmental Activities:				
Instruction	\$ 14,126,344	\$ 0	\$ 1,703,729	\$ (12,422,615)
Support Services	7,065,837	39,435	304,431	(6,721,971)
Operation of Non-Instructional Services	2,039,294	666,267	1,074,884	(298,143)
Interest on Long-term Debt	1,305	0	0	(1,305)
Other Debt Service	1,458,073	0	0	(1,458,073)
<b>Total Governmental Activities</b>	<b>\$ 24,690,853</b>	<b>\$ 705,702</b>	<b>\$ 3,083,044</b>	<b>\$ (20,902,107)</b>
General Revenues:				
Taxes:				
Property taxes levied for general purposes				\$ 4,372,176
Local option sales tax				2,646,811
Other local taxes				119,870
Grants & contributions not restricted for specific programs				12,764,472
Unrestricted investment earnings				75,000
Miscellaneous				149,947
<b>Total General Revenues</b>				<b>\$ 20,128,276</b>
Change in Net Assets				\$ (773,831)
Net Assets, July 1, 2005				33,474,506
Net Assets, June 30, 2006				<u>\$ 32,700,675</u>

Exhibit I-2

Henry County, Tennessee  
 Balance Sheet - Governmental Funds  
 Discretely Presented Henry County School Department  
 June 30, 2006

	Major Fund	Nonmajor Funds	Total Govern- mental Funds
	General Purpose School	Other Govern- mental Funds	
<b>ASSETS</b>			
Cash	\$ 0	\$ 25	\$ 25
Equity in Pooled Cash and Investments	1,872,368	456,595	2,328,963
Accounts Receivable	3,917	0	3,917
Due from Other Governments	709,261	74,154	783,415
Due from Other Funds	10,237	0	10,237
Property Taxes Receivable	4,514,230	0	4,514,230
Allowance for Uncollectible Property Taxes	(53,476)	0	(53,476)
<b>Total Assets</b>	<b>\$ 7,056,537</b>	<b>\$ 530,774</b>	<b>\$ 7,587,311</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<u>Liabilities</u>			
Accounts Payable	\$ 25,342	\$ 5,517	\$ 30,859
Deferred Revenue - Current Property Taxes	4,298,092	0	4,298,092
Deferred Revenue - Delinquent Property Taxes	148,732	0	148,732
Other Deferred Revenues	246,828	0	246,828
<b>Total Liabilities</b>	<b>\$ 4,718,994</b>	<b>\$ 5,517</b>	<b>\$ 4,724,511</b>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 119,060	\$ 30,235	\$ 149,295
Other Local Education Reserves	62,587	0	62,587
Reserved for Driver Education	9,013	0	9,013
Reserved for Career Ladder - Extended Contract	97,265	0	97,265
Reserved for Career Ladder Program	735	0	735
Reserved for Basic Education Program	50,021	0	50,021
Other State Education Reserves	41,815	0	41,815
Reserved for Title I Grants to Local Education Agencies	0	44,274	44,274
Reserved for Innovative Education Program Strategies	0	108	108
Reserved for Special Education - Grants to States	0	15,319	15,319
Other Federal Reserves	0	12,293	12,293
Unreserved, Reported In:			
General Fund	1,957,047	0	1,957,047
Special Revenue Funds	0	423,028	423,028
<b>Total Fund Balances</b>	<b>\$ 2,337,543</b>	<b>\$ 525,257</b>	<b>\$ 2,862,800</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,056,537</b>	<b>\$ 530,774</b>	<b>\$ 7,587,311</b>

Exhibit I-3

Henry County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets  
Discretely Presented Henry County School Department  
June 30, 2006

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$	2,862,800
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	556,718	
Add: buildings and improvements net of accumulated depreciation		27,415,892	
Add: other capital assets net of accumulated depreciation		<u>1,552,181</u>	29,524,791
(2) Certain earned amounts are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			395,560
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: compensated absences payable			<u>(82,476)</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>32,700,675</u></u>

Exhibit I-4

Henry County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Discretely Presented Henry County School Department  
For the Year Ended June 30, 2006

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Governmen- tal Funds
<u>Revenues</u>			
Local Taxes	\$ 7,237,395	\$ 0	\$ 7,237,395
Licenses and Permits	2,045	0	2,045
Charges for Current Services	95,924	608,908	704,832
Other Local Revenues	274,404	3,524	277,928
State of Tennessee	12,868,977	18,327	12,887,304
Federal Government	401,077	2,368,232	2,769,309
Total Revenues	<u>\$ 20,879,822</u>	<u>\$ 2,998,991</u>	<u>\$ 23,878,813</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 11,073,878	\$ 1,409,570	\$ 12,483,448
Support Services	6,686,123	416,082	7,102,205
Operation of Non-Instructional Services	516,681	1,344,870	1,861,551
Capital Outlay	437,431	0	437,431
Debt Service:			
Principal on Debt	51,706	0	51,706
Interest on Debt	1,788	0	1,788
Other Debt Service	1,458,073	0	1,458,073
Total Expenditures	<u>\$ 20,225,680</u>	<u>\$ 3,170,522</u>	<u>\$ 23,396,202</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 654,142</u>	<u>\$ (171,531)</u>	<u>\$ 482,611</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 13,189	\$ 0	\$ 13,189
Transfers Out	0	(13,189)	(13,189)
Total Other Financing Sources (Uses)	<u>\$ 13,189</u>	<u>\$ (13,189)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ 667,331	\$ (184,720)	\$ 482,611
Fund Balance, July 1, 2005	1,670,212	709,977	2,380,189
Fund Balance, June 30, 2006	<u>\$ 2,337,543</u>	<u>\$ 525,257</u>	<u>\$ 2,862,800</u>

Exhibit I-5

Henry County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Discretely Presented Henry County School Department  
For the Year Ended June 30, 2006

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

Net change in fund balances - total governmental funds (Exhibit I-4)		\$ 482,611
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. The amount that capital outlays differ from depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 653,941	
Less: current year depreciation expense	<u>(1,874,142)</u>	(1,220,201)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Less: loss on disposal of capital assets	\$ (33,387)	
Less: proceeds received from the disposal of assets	<u>(5,178)</u>	(38,565)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes/other deferred June 30, 2006	\$ 395,560	
Less: deferred delinquent property taxes/other deferred June 30, 2005	<u>(443,168)</u>	(47,608)
(4) The issuance of long-term debt (e.g. notes, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		
Add: principal payment on capital leases		51,706
(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.		
Add: change in accrued interest on capital leases	\$ 483	
Add: change in compensated absences	<u>(2,257)</u>	<u>(1,774)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (773,831)</u>

Exhibit I-6

Henry County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Discretely Presented Henry County School Department  
June 30, 2006

	<u>Special Revenue Funds</u>		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 25	\$ 25
Equity in Pooled Cash and Investments	44,411	412,184	456,595
Due from Other Governments	63,335	10,819	74,154
Total Assets	\$ 107,746	\$ 423,028	\$ 530,774
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 5,517	\$ 0	\$ 5,517
Total Liabilities	\$ 5,517	\$ 0	\$ 5,517
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 30,235	\$ 0	\$ 30,235
Reserved for Title I Grants to Local Education Agencies	44,274	0	44,274
Reserved for Innovative Education Program Strategies	108	0	108
Reserved for Special Education - Grants to States	15,319	0	15,319
Other Federal Reserves	12,293	0	12,293
Unreserved	0	423,028	423,028
Total Fund Balances	\$ 102,229	\$ 423,028	\$ 525,257
Total Liabilities and Fund Balances	\$ 107,746	\$ 423,028	\$ 530,774

Exhibit I-7

Henry County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Nonmajor Governmental Funds  
Discretely Presented Henry County School Department  
For the Year Ended June 30, 2006

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 608,908	\$ 608,908
Other Local Revenues	0	3,524	3,524
State of Tennessee	0	18,327	18,327
Federal Government	1,549,175	819,057	2,368,232
Total Revenues	<u>\$ 1,549,175</u>	<u>\$ 1,449,816</u>	<u>\$ 2,998,991</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,409,570	\$ 0	\$ 1,409,570
Support Services	416,082	0	416,082
Operation of Non-Instructional Services	0	1,344,870	1,344,870
Total Expenditures	<u>\$ 1,825,652</u>	<u>\$ 1,344,870</u>	<u>\$ 3,170,522</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (276,477)</u>	<u>\$ 104,946</u>	<u>\$ (171,531)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (13,189)	\$ 0	\$ (13,189)
Total Other Financing Sources (Uses)	<u>\$ (13,189)</u>	<u>\$ 0</u>	<u>\$ (13,189)</u>
Net Change in Fund Balances	\$ (289,666)	\$ 104,946	\$ (184,720)
Fund Balance, July 1, 2005	<u>391,895</u>	<u>318,082</u>	<u>709,977</u>
Fund Balance, June 30, 2006	<u>\$ 102,229</u>	<u>\$ 423,028</u>	<u>\$ 525,257</u>

Exhibit I-8

Henry County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Henry County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 7,237,395	\$ 0	\$ 0	\$ 7,237,395	\$ 6,981,897	\$ 7,048,897	\$ 188,498
Licenses and Permits	2,045	0	0	2,045	2,620	2,620	(575)
Charges for Current Services	95,924	0	0	95,924	124,424	130,251	(34,327)
Other Local Revenues	274,404	0	0	274,404	217,889	273,363	1,041
State of Tennessee	12,868,977	0	0	12,868,977	12,664,912	12,804,863	64,114
Federal Government	401,077	0	0	401,077	523,769	554,459	(153,382)
Total Revenues	\$ 20,879,822	\$ 0	\$ 0	\$ 20,879,822	\$ 20,515,511	\$ 20,814,453	\$ 65,369
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 8,962,050	\$ (14,864)	\$ 32,988	\$ 8,980,174	\$ 9,239,233	\$ 9,248,831	\$ 268,657
Special Education Program	1,171,361	0	0	1,171,361	1,195,951	1,190,177	18,816
Vocational Education Program	714,986	0	0	714,986	737,604	746,834	31,848
Adult Education Program	225,481	(1,112)	1,861	226,230	249,271	249,271	23,041
<u>Support Services</u>							
Attendance	181,668	0	0	181,668	184,970	184,970	3,302
Health Services	162,446	0	100	162,546	178,047	170,698	8,152
Other Student Support	486,738	0	0	486,738	516,015	504,240	17,502
Regular Instruction Program	707,504	(1,254)	3,389	709,639	712,729	712,735	3,096
Special Education Program	98,831	0	0	98,831	99,990	99,997	1,166
Vocational Education Program	75,498	0	0	75,498	76,539	76,539	1,041
Board of Education	403,129	0	0	403,129	407,561	407,561	4,432
Director of Schools	274,369	(2,100)	553	272,822	291,184	291,184	18,362
Office of the Principal	1,102,301	(228)	0	1,102,073	1,131,798	1,117,959	15,886
Fiscal Services	86,248	0	0	86,248	88,785	88,785	2,537
Operation of Plant	1,320,601	0	0	1,320,601	1,264,170	1,343,170	22,569

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Maintenance of Plant	\$ 476,502	\$ (85)	\$ 519	\$ 476,936	\$ 487,967	\$ 487,967	\$ 11,031
Transportation	1,310,288	(148)	0	1,310,140	1,251,062	1,359,557	49,417
<u>Operation of Non-Instructional Services</u>							
Community Services	326,101	(875)	7,493	332,719	511,724	511,724	179,005
Early Childhood Education	190,580	0	27,196	217,776	133,382	219,778	2,002
<u>Capital Outlay</u>							
Regular Capital Outlay	437,431	(11,170)	44,961	471,222	339,834	622,124	150,902
<u>Principal on Debt</u>							
Education	51,706	0	0	51,706	0	51,706	0
<u>Interest on Debt</u>							
Education	1,788	0	0	1,788	0	1,788	0
<u>Other Debt Service</u>							
Education	1,458,073	0	0	1,458,073	1,458,075	1,458,075	2
Total Expenditures	\$ 20,225,680	\$ (31,836)	\$ 119,060	\$ 20,312,904	\$ 20,555,891	\$ 21,145,670	\$ 832,766
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 654,142	\$ 31,836	\$ (119,060)	\$ 566,918	\$ (40,380)	\$ (331,217)	\$ 898,135
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 13,189	\$ 0	\$ 0	\$ 13,189	\$ 7,500	\$ 7,500	\$ 5,689
Total Other Financing Sources (Uses)	\$ 13,189	\$ 0	\$ 0	\$ 13,189	\$ 7,500	\$ 7,500	\$ 5,689
<u>Net Change in Fund Balance</u>							
Fund Balance, July 1, 2005	\$ 1,670,212	(31,836)	0	1,638,376	1,699,002	1,699,002	(60,626)
Fund Balance, June 30, 2006	\$ 2,337,543	\$ 0	\$ (119,060)	\$ 2,218,483	\$ 1,666,122	\$ 1,375,285	\$ 843,198

Exhibit I-9

Henry County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Henry County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 1,549,175	\$ 0	\$ 0	\$ 1,549,175	\$ 1,862,247	\$ 1,866,233	\$ (317,058)
Total Revenues	\$ 1,549,175	\$ 0	\$ 0	\$ 1,549,175	\$ 1,862,247	\$ 1,866,233	\$ (317,058)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 740,457	\$ (991)	\$ 4,390	\$ 743,856	\$ 888,872	\$ 990,635	\$ 246,779
Special Education Program	588,701	(1,733)	1,162	588,130	765,429	769,033	180,903
Vocational Education Program	80,412	(3,343)	24,237	101,306	93,756	102,982	1,676
<u>Support Services</u>							
Other Student Support	43,709	(931)	446	43,224	70,815	66,080	22,856
Regular Instruction Program	165,021	0	0	165,021	222,557	234,898	69,877
Special Education Program	165,509	0	0	165,509	249,008	245,408	79,899
Vocational Education Program	1,823	0	0	1,823	5,000	1,913	90
Office of the Principal	2,895	0	0	2,895	4,381	4,381	1,486
Transportation	37,125	0	0	37,125	55,217	55,217	18,092
Total Expenditures	\$ 1,825,652	\$ (6,998)	\$ 30,235	\$ 1,848,889	\$ 2,355,035	\$ 2,470,547	\$ 621,658
Excess (Deficiency) of Revenues Over Expenditures	\$ (276,477)	\$ 6,998	\$ (30,235)	\$ (299,714)	\$ (492,788)	\$ (604,314)	\$ 304,600
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (13,189)	\$ 0	\$ 0	\$ (13,189)	\$ (18,943)	\$ (19,766)	\$ 6,577
Total Other Financing Sources (Uses)	\$ (13,189)	\$ 0	\$ 0	\$ (13,189)	\$ (18,943)	\$ (19,766)	\$ 6,577
Net Change in Fund Balance	\$ (289,666)	\$ 6,998	\$ (30,235)	\$ (312,903)	\$ (511,731)	\$ (624,080)	\$ 311,177
Fund Balance, July 1, 2005	391,895	(6,998)	0	384,897	511,731	624,080	(239,183)
Fund Balance, June 30, 2006	\$ 102,229	\$ 0	\$ (30,235)	\$ 71,994	\$ 0	\$ 0	\$ 71,994

Exhibit I-10

Henry County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Henry County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 608,908	\$ 646,000	\$ 646,000	\$ (37,092)
Other Local Revenues	3,524	875	875	2,649
State of Tennessee	18,327	19,067	19,067	(740)
Federal Government	819,057	834,260	834,260	(15,203)
Total Revenues	<u>\$ 1,449,816</u>	<u>\$ 1,500,202</u>	<u>\$ 1,500,202</u>	<u>\$ (50,386)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,344,870	\$ 1,524,240	\$ 1,524,240	\$ 179,370
Total Expenditures	<u>\$ 1,344,870</u>	<u>\$ 1,524,240</u>	<u>\$ 1,524,240</u>	<u>\$ 179,370</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 104,946</u>	<u>\$ (24,038)</u>	<u>\$ (24,038)</u>	<u>\$ 128,984</u>
Net Change in Fund Balance	\$ 104,946	\$ (24,038)	\$ (24,038)	\$ 128,984
Fund Balance, July 1, 2005	<u>318,082</u>	<u>240,254</u>	<u>240,254</u>	<u>77,828</u>
Fund Balance, June 30, 2006	<u>\$ 423,028</u>	<u>\$ 216,216</u>	<u>\$ 216,216</u>	<u>\$ 206,812</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit J-1

Henry County, Tennessee  
Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds  
Primary Government and Discretely Presented Henry County School Department  
For the Year Ended June 30, 2006

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
<b><u>PRIMARY GOVERNMENT</u></b>								
<b><u>NOTES PAYABLE</u></b>								
<u>Payable through General Debt Service Fund</u>								
Jail Renovation Projects	\$ 190,000	5.125 %	10-14-1999	10-14-09	\$ 95,000	\$ 0	\$ 19,000	\$ 76,000
General Improvement Projects	269,000	2.94	9-26-05	6-28-06	0	269,000	269,000	0
<u>Payable through Highway/Public Works Fund</u>								
Highway Shop	150,000	3.9	5-31-06	5-18-09	0	150,000	0	150,000
Total Notes Payable					<u>\$ 95,000</u>	<u>\$ 419,000</u>	<u>\$ 288,000</u>	<u>\$ 226,000</u>
<b><u>OTHER LOANS PAYABLE</u></b>								
<u>Payable through General Debt Service Fund</u>								
Grove School/Campus Renovation	3,000,000	Variable	5-17-1996	5-25-15	\$ 1,948,100	\$ 0	\$ 151,300	\$ 1,796,800
Jail Renovation Projects	4,944,998	Variable	5-25-1999	5-25-14	3,079,998	0	412,000	2,667,998
Total Other Loans Payable					<u>\$ 5,028,098</u>	<u>\$ 0</u>	<u>\$ 563,300</u>	<u>\$ 4,464,798</u>
<b><u>BONDS PAYABLE</u></b>								
<u>Payable through General Debt Service Fund</u>								
School, Refunding Series 1998	3,162,500	4 to 4.45	8-15-1998	5-1-09	\$ 2,978,125	\$ 0	\$ 603,125	\$ 2,375,000
School, Series 2001B (CAB) (1)	3,693,361	4.6 to 5.2	3-1-01	5-1-21	3,693,361	0	0	3,693,361
School, Refunding Series 2002	1,865,625	3	9-15-02	5-1-07	371,875	0	181,250	190,625
School, Rural Series 2003	6,600,000	4.25 to 4.6	1-1-03	5-1-25	6,600,000	0	0	6,600,000
School, Refunding Series 2005	5,790,000	3 to 3.85	5-27-05	5-1-18	5,790,000	0	45,000	5,745,000
Total Bonds Payable					<u>\$ 19,433,361</u>	<u>\$ 0</u>	<u>\$ 829,375</u>	<u>\$ 18,603,986</u>
<b><u>DISCRETELY PRESENTED HENRY COUNTY SCHOOL DEPARTMENT</u></b>								
<b><u>CAPITAL LEASES PAYABLE</u></b>								
<u>Payable through General Purpose School Fund</u>								
Energy Management System	405,574	7.69	7-20-1995	2-20-06	\$ 37,737	\$ 0	\$ 37,737	\$ 0
Computer Equipment	41,940	4.953	11-13-03	12-1-05	13,969	0	13,969	0
Total Capital Leases Payable					<u>\$ 51,706</u>	<u>\$ 0</u>	<u>\$ 51,706</u>	<u>\$ 0</u>

(1) These (CAB) bonds accrete interest that is paid at bond maturity. As of June 30, 2006, interest of \$1,091,110 has accreted on the bonds.

Exhibit J-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2007	\$ 851,875	\$ 610,826	\$ 1,462,701
2008	903,750	576,748	1,480,498
2009	930,740	546,733	1,477,473
2010	822,174	655,311	1,477,485
2011	823,931	651,817	1,475,748
2012	827,438	650,922	1,478,360
2013	835,447	643,663	1,479,110
2014	840,341	638,644	1,478,985
2015	848,170	634,990	1,483,160
2016	1,118,040	622,980	1,741,020
2017	1,145,910	601,810	1,747,720
2018	921,633	820,487	1,742,120
2019	587,109	1,178,596	1,765,705
2020	552,815	1,212,890	1,765,705
2021	1,239,613	516,091	1,755,704
2022	1,515,000	241,645	1,756,645
2023	1,585,000	174,228	1,759,228
2024	1,655,000	102,902	1,757,902
2025	600,000	27,600	627,600
Total	<u>\$ 18,603,986</u>	<u>\$ 11,108,883</u>	<u>\$ 29,712,869</u>

Exhibit J-3

Henry County, Tennessee  
Schedule of Transfers  
Primary Government and Discretely Presented Henry County School Department  
For the Year Ended June 30, 2006

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>Primary Government</u>			
General	Highway/Public Works	To transfer net wheel tax revenue	\$ 428,100
General	General Capital Projects	To provide funds to liquidate prior year fund deficit	<u>12,000</u>
Total Primary Government			<u>\$ 440,100</u>
<u>Discretely Presented Henry County</u>			
<u>School Department</u>			
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 13,189</u>

Exhibit J-4

Henry County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Primary Government and Discretely Presented Henry County School Department  
For the Year Ended June 30, 2006

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 62,424	\$ 50,000	RLI Insurance Company
Road Supervisor	Section 8-24-102, <u>TCA</u>	59,452	100,000	"
Director of Schools	State Board of Education and County Board of Education	105,088 (1)	50,000	Western Surety Company
Trustee	Section 8-24-102, <u>TCA</u>	54,048	698,500	RLI Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	54,048	10,000	"
Director of Accounts and Budgets	County Commission	40,846 (2)	50,000	Zurich North America
County Clerk	Section 8-24-102, <u>TCA</u>	54,048	50,000	RLI Insurance Company
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	54,048	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	60,909 (3)	150,000	Fidelity and Deposit Company of Maryland
Register	Section 8-24-102, <u>TCA</u>	54,048	25,000	RLI Insurance Company
Sheriff	Section 8-24-102, <u>TCA</u>	59,971 (4)	25,000	"
Employee Blanket Bonds:				
County Mayor's and County Road Supervisor's Offices			150,000	Tennessee School Boards Risk Management Trust
Office of Director of Schools			150,000	"

- (1) Includes chief executive officer training supplement of \$1,000, insurance premiums of \$2,000, disability insurance premium of \$500, automobile allowance of \$5,400, and negotiating team member fee of \$180.
- (2) Includes \$2,400 for serving as secretary of the Budget Committee.
- (3) Includes special commissioner/special master fees of \$6,861.
- (4) Includes law enforcement training supplement of \$519.

Exhibit J-5

Henry County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2006

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 2,517,737	\$ 244,782	\$ 0	\$ 0	\$ 1,189,888	\$ 120,238	\$ 0	\$ 4,072,645
Trustee's Collections - Prior Year	118,102	12,762	0	0	57,050	5,708	0	193,622
Circuit/Clerk & Master Collections - Prior Years	40,720	3,979	0	0	19,124	1,989	0	65,812
Interest and Penalty	49,874	5,041	0	0	24,479	2,087	0	81,481
Pick-up Taxes	1,516	148	0	0	717	73	0	2,454
Payments in-Lieu-of Taxes - Local Utilities	36,024	3,516	0	0	17,025	1,727	0	58,292
Payments in-Lieu-of Taxes - Other	223	0	0	0	0	0	0	223
<u>County Local Option Taxes</u>								
Local Option Sales Tax	603,436	0	0	0	0	0	0	603,436
Hotel/Motel Tax	192,235	0	0	0	0	0	0	192,235
Wheel Tax	432,406	0	0	0	0	531,811	0	964,217
Litigation Tax - General	142,259	0	0	0	0	0	0	142,259
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	45,349	0	45,349
Business Tax	72,842	7,111	0	0	34,422	3,503	0	117,878
<u>Statutory Local Taxes</u>								
Bank Excise Tax	37,340	3,645	0	0	17,647	1,790	0	60,422
Wholesale Beer Tax	407,968	0	0	0	0	0	0	407,968
Interstate Telecommunications Tax	3,450	0	0	0	0	0	0	3,450
<b>Total Local Taxes</b>	<b>\$ 4,656,132</b>	<b>\$ 280,984</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,360,352</b>	<b>\$ 714,275</b>	<b>\$ 0</b>	<b>\$ 7,011,743</b>
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Animal Registration	\$ 10,195	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,195
Cable TV Franchise	86,104	0	0	0	0	0	0	86,104
<b>Total Licenses and Permits</b>	<b>\$ 96,299</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 96,299</b>
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 9,430	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,430
Officers Costs	13,104	0	0	0	0	0	0	13,104
Drug Control Fines	2,712	0	10,606	0	0	0	0	13,318
Jail Fees	340	0	0	0	0	0	0	340

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt	Capital	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	Service Fund	Projects Fund	
<b>Fines, Forfeitures, and Penalties (Cont.)</b>								
<u>Circuit Court (Cont.)</u>								
Data Entry Fee - Circuit Court	\$ 778	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	778
<u>General Sessions Court</u>								
Fines	59,371	0	0	0	0	0	0	59,371
Officers Costs	81,373	0	0	0	0	0	0	81,373
Game and Fish Fines	2,666	0	0	0	0	0	0	2,666
Drug Control Fines	35,237	0	4,456	0	0	0	0	39,693
Drug Court Fees	13,727	0	0	0	0	0	0	13,727
Jail Fees	8,988	0	0	0	0	0	0	8,988
DUI Treatment Fines	8,890	0	0	0	0	0	0	8,890
Data Entry Fee - General Sessions Court	8,404	0	0	0	0	0	0	8,404
Courtroom Security Fee	896	0	0	0	0	0	0	896
<u>Juvenile Court</u>								
Fines	1,714	0	0	0	0	0	0	1,714
<u>Chancery Court</u>								
Officers Costs	3,103	0	0	0	0	0	0	3,103
Data Entry Fee - Chancery Court	1,676	0	0	0	0	0	0	1,676
<u>Judicial District Drug Program</u>								
Drug Task Force Forfeitures and Seizures	0	0	1,645	0	0	0	0	1,645
<u>Other Fines, Forfeitures, and Penalties</u>								
Proceeds from Confiscated Property	0	0	19,030	0	0	0	0	19,030
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 252,409</b>	<b>\$ 0</b>	<b>\$ 35,737</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>288,146</b>
<b>Charges for Current Services</b>								
<u>General Service Charges</u>								
Sale of Electricity	\$ 23,975	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	23,975
Work Release Charges for Board	5,640	0	0	0	0	0	0	5,640
<u>Fees</u>								
Airport Fees	36,010	0	0	0	0	0	0	36,010
Copy Fees	663	0	0	0	0	0	0	663
Telephone Commissions	11,607	0	0	0	0	0	0	11,607
Vending Machine Collections	932	0	0	0	0	0	0	932
Special Commissioner Fees/Special Master Fees	0	0	0	6,861	0	0	0	6,861

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Charges for Current Services (Cont.)</u>								
<u>Fees (Cont.)</u>								
Data Processing Fee - Register	\$ 16,182	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	16,182
Data Processing Fee - Sheriff	5,957	0	0	0	0	0	0	5,957
<b>Total Charges for Current Services</b>	<b>\$ 100,966</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 6,861</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>107,827</b>
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	179,718	\$ 0	179,718
Lease/Rentals	6,835	0	0	0	0	0	0	6,835
Sale of Materials and Supplies	0	0	0	0	531	0	0	531
Commissary Sales	39,927	0	0	0	0	0	0	39,927
Sale of Gasoline	186,756	0	0	0	27,506	0	0	214,262
Sale of Maps	3,892	0	0	0	0	0	0	3,892
Sale of Recycled Materials	0	162,689	0	0	298	0	0	162,987
Miscellaneous Refunds	18,567	0	3,680	0	6,730	0	0	28,977
<u>Nonrecurring Items</u>								
Sale of Equipment	4,840	1,000	14,982	0	0	0	0	20,822
Sale of Property	1,000	0	0	0	0	0	0	1,000
Damages Recovered from Individuals	2,046	0	0	0	0	0	0	2,046
<b>Total Other Local Revenues</b>	<b>\$ 263,863</b>	<b>\$ 163,689</b>	<b>\$ 18,662</b>	<b>\$ 0</b>	<b>\$ 35,065</b>	<b>\$ 179,718</b>	<b>\$ 0</b>	<b>660,997</b>
<u>Fees Received from County Officials</u>								
<u>Fees-In-Lieu of Salary</u>								
County Clerk	\$ 480,083	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	480,083
Circuit Court Clerk	83,808	0	0	0	0	0	0	83,808
General Sessions Court Clerk	223,891	0	0	0	0	0	0	223,891
Clerk and Master	97,953	0	0	0	0	0	0	97,953
Register	203,046	0	0	0	0	0	0	203,046
Sheriff	10,857	0	0	0	0	0	0	10,857
Trustee	423,123	0	0	0	0	0	0	423,123
<b>Total Fees Received from County Officials</b>	<b>\$ 1,522,761</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>1,522,761</b>

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt	Capital	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	Service Fund	Projects Fund	
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 80,127	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	80,127
Airport Maintenance Program	16,402	0	0	0	0	0	0	16,402
Aging Programs	34,917	0	0	0	0	0	0	34,917
State Reappraisal Grant	15,557	0	0	0	0	0	0	15,557
Solid Waste Grants	0	28,188	0	0	0	0	0	28,188
<u>Health and Welfare Grants</u>								
Health Department Programs	4,856	0	0	0	0	0	0	4,856
<u>Public Works Grants</u>								
Bridge Program	0	0	0	0	140,827	0	0	140,827
State Aid Program	0	0	0	0	174,037	0	0	174,037
Litter Program	0	0	0	0	29,640	0	0	29,640
<u>Other State Revenues</u>								
Resort District Sales Tax	301,034	0	0	0	0	0	0	301,034
Beer Tax	17,212	0	0	0	0	0	0	17,212
Alcoholic Beverage Tax	45,887	0	0	0	0	0	0	45,887
Mixed Drink Tax	5,485	0	0	0	0	0	0	5,485
Prisoner Transportation	4,121	0	0	0	0	0	0	4,121
Contracted Prisoner Boarding	386,967	0	0	0	0	0	0	386,967
Gasoline and Motor Fuel Tax	0	0	0	0	1,854,852	0	0	1,854,852
Petroleum Special Tax	0	0	0	0	25,030	0	0	25,030
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	16,380
Other State Grants	128,336	0	0	0	0	0	0	128,336
Total State of Tennessee	\$ 1,057,281	\$ 28,188	\$ 0	\$ 0	\$ 2,224,386	\$ 0	\$ 0	\$ 3,309,855
<u>Federal Government</u>								
<u>Federal Through State</u>								
Community Development	\$ 297,944	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	297,944
Homeland Security Grants	172,471	0	0	0	0	0	0	172,471
Other Federal through State	0	0	0	0	0	0	51,949	51,949
<u>Direct Federal Revenue</u>								
Other Direct Federal Revenue	100,722	0	0	0	0	0	0	100,722
Total Federal Government	\$ 571,137	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 51,949	\$ 623,086

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Prisoner Board	\$ 466	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 466
Contributions	78,241	0	0	0	0	1,458,073	0	1,536,314
Contracted Services	0	0	4,895	0	0	0	0	4,895
<u>Citizens Groups</u>								
Donations	5,050	0	0	0	0	0	0	5,050
<u>Other</u>								
Other	59,942	0	0	0	0	0	0	59,942
Total Other Governments and Citizens Groups	\$ 143,699	\$ 0	\$ 4,895	\$ 0	\$ 0	\$ 1,458,073	\$ 0	\$ 1,606,667
Total	\$ 8,664,547	\$ 472,861	\$ 59,294	\$ 6,861	\$ 3,619,803	\$ 2,352,066	\$ 51,949	\$ 15,227,381

Exhibit J-6

Henry County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Henry County School Department  
For the Year Ended June 30, 2006

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 4,020,181	\$ 0	\$ 0	\$ 4,020,181
Trustee's Collections - Prior Year	192,927	0	0	192,927
Circuit/Clerk & Master Collections - Prior Years	65,070	0	0	65,070
Interest and Penalty	82,450	0	0	82,450
Pick-up Taxes	2,450	0	0	2,450
Payments in-Lieu-of Taxes - T.V.A.	3,216	0	0	3,216
Payments in-Lieu-of Taxes - Local Utilities	57,520	0	0	57,520
<u>County Local Option Taxes</u>				
Local Option Sales Tax	2,634,091	0	0	2,634,091
Business Tax	116,174	0	0	116,174
<u>Statutory Local Taxes</u>				
Bank Excise Tax	59,621	0	0	59,621
Interstate Telecommunications Tax	3,695	0	0	3,695
Total Local Taxes	\$ 7,237,395	\$ 0	\$ 0	\$ 7,237,395
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 2,045	\$ 0	\$ 0	\$ 2,045
Total Licenses and Permits	\$ 2,045	\$ 0	\$ 0	\$ 2,045
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 288,716	\$ 288,716
Lunch Payments - Adults	0	0	57,882	57,882
Income from Breakfast	0	0	54,984	54,984
A la carte Sales	0	0	207,326	207,326
Receipts from Individual Schools	29,864	0	0	29,864
Community Service Fees - Children	56,248	0	0	56,248
Community Service Fees - Adults	1,111	0	0	1,111
<u>Other Charges for Services</u>				
Other Charges for Services	8,701	0	0	8,701
Total Charges for Current Services	\$ 95,924	\$ 0	\$ 608,908	\$ 704,832
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 75,000	\$ 0	\$ 3,017	\$ 78,017
Lease/Rentals	250	0	0	250
Sale of Materials and Supplies	2,059	0	0	2,059
Miscellaneous Refunds	73,186	0	507	73,693
<u>Nonrecurring Items</u>				
Sale of Equipment	327	0	0	327
Sale of Property	77,868	0	0	77,868
Damages Recovered from Individuals	1,178	0	0	1,178
Contributions & Gifts	43,916	0	0	43,916
<u>Other Local Revenues</u>				
Other Local Revenues	620	0	0	620
Total Other Local Revenues	\$ 274,404	\$ 0	\$ 3,524	\$ 277,928

(Continued)

Exhibit J-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 10,873,228	\$ 0	\$ 0	\$ 10,873,228
School Food Service	0	0	18,327	18,327
Driver Education	13,822	0	0	13,822
Other State Education Funds	327,003	0	0	327,003
Career Ladder Program	182,160	0	0	182,160
Career Ladder - Extended Contract	155,856	0	0	155,856
Other Vocational	4,952	0	0	4,952
<u>Other State Revenues</u>				
Income Tax	108,221	0	0	108,221
Mixed Drink Tax	3,773	0	0	3,773
State Revenue Sharing - T.V.A.	1,091,060	0	0	1,091,060
Other State Grants	108,902	0	0	108,902
Total State of Tennessee	\$ 12,868,977	\$ 0	\$ 18,327	\$ 12,887,304
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 606,039	\$ 606,039
Breakfast	0	0	213,018	213,018
USDA - Other	44,548	0	0	44,548
Adult Education State Grant Program	193,065	0	0	193,065
Vocational Education - Basic Grants to States	0	135,716	0	135,716
Title I Grants to Local Education Agencies	0	577,274	0	577,274
Innovative Education Program Strategies	0	5,022	0	5,022
Special Education - Grants to States	1,136	592,341	0	593,477
Special Education Preschool Grants	0	49,512	0	49,512
Eisenhower Professional Development State Grants	0	167,559	0	167,559
Other Federal through State	162,328	21,751	0	184,079
Total Federal Government	\$ 401,077	\$ 1,549,175	\$ 819,057	\$ 2,769,309
Total	\$ 20,879,822	\$ 1,549,175	\$ 1,449,816	\$ 23,878,813

Exhibit J-7

Henry County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2006

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	18,000	
Dues and Memberships		1,650	
Travel		4,720	
Total County Commission			\$ 24,370

Board of Equalization

Other Per Diem & Fees	\$	560	
Total Board of Equalization			560

Other Boards and Committees

Supervisor/Director	\$	2,400	
Board and Committee Members Fees		2,675	
Total Other Boards and Committees			5,075

County Mayor/Executive

County Official/Administrative Officer	\$	62,424	
Secretary(ies)		28,091	
Custodial Personnel		10,704	
Maintenance Personnel		38,389	
Part-time Personnel		29,118	
Longevity Pay		1,000	
Data Processing Services		457	
Dues and Memberships		1,650	
Operating Lease Payments		1,312	
Maintenance & Repair Services - Office Equipment		365	
Postal Charges		1,099	
Travel		4,000	
Office Supplies		1,951	
In Service/Staff Development		904	
Total County Mayor/Executive			181,464

County Attorney

Other Per Diem & Fees	\$	18,036	
Total County Attorney			18,036

Election Commission

County Official/Administrative Officer	\$	45,941	
Deputy(ies)		24,447	
Election Commission		1,570	
Election Workers		8,379	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Data Processing Services	\$	2,277	
Dues and Memberships		189	
Maintenance Agreements		2,313	
Postal Charges		1,371	
Printing, Stationery, and Forms		8,048	
Rentals		385	
Travel		2,355	
Office Supplies		1,500	
Total Election Commission			\$ 98,775

Register of Deeds

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		76,450	
Longevity Pay		2,800	
Dues and Memberships		529	
Maintenance Agreements		5,932	
Maintenance & Repair Services - Office Equipment		1,880	
Postal Charges		1,700	
Printing, Stationery, and Forms		1,187	
Travel		1,738	
Data Processing Supplies		27,041	
Duplicating Supplies		2,132	
Office Supplies		1,097	
Total Register of Deeds			176,534

Building

Maintenance Personnel	\$	20,819	
Part-time Personnel		4,822	
Longevity Pay		150	
Communication		627	
Maintenance & Repair Services - Buildings		4,340	
Custodial Supplies		4,228	
Utilities		30,450	
Total Building			65,436

County Buildings

Communication	\$	67,257	
Natural Gas		34,399	
Utilities		51,202	
Total County Buildings			152,858

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Other General Administration

Maintenance & Repair Services - Buildings	\$	54,790	
Maintenance & Repair Services - Equipment		80	
Custodial Supplies		3,941	
Other Supplies and Materials		1,004	
Building and Contents Insurance		82,184	
Other Charges		174	
Total Other General Administration			\$ 142,173

Preservation of Records

Other Supplies and Materials	\$	742	
Other Charges		750	
Total Preservation of Records			1,492

Finance

Accounting and Budgeting

Supervisor/Director	\$	38,446	
Deputy(ies)		27,197	
Data Processing Services		5,992	
Operating Lease Payments		1,617	
Maintenance & Repair Services - Office Equipment		375	
Postal Charges		1,998	
Travel		431	
Data Processing Supplies		2,568	
Office Supplies		1,390	
In Service/Staff Development		542	
Total Accounting and Budgeting			80,556

Property Assessor's Office

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		116,915	
Longevity Pay		600	
Data Processing Services		8,724	
Dues and Memberships		1,295	
Operating Lease Payments		1,908	
Postal Charges		1,517	
Travel		262	
Data Processing Supplies		202	
Office Supplies		1,489	
Other Supplies and Materials		230	
Office Equipment		228	
Total Property Assessor's Office			187,418

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program

Deputy(ies)	\$	24,586	
Longevity Pay		550	
Contracts with Private Agencies		32,680	
Data Processing Services		4,779	
Operating Lease Payments		1,434	
Maintenance & Repair Services - Vehicles		855	
Postal Charges		900	
Gasoline		1,568	
Other Charges		1,858	
Total Reappraisal Program			\$ 69,210

County Trustee's Office

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		49,389	
Part-time Personnel		12,994	
Longevity Pay		300	
Data Processing Services		23,067	
Dues and Memberships		608	
Legal Notices, Recording, and Court Costs		270	
Maintenance & Repair Services - Office Equipment		430	
Postal Charges		8,137	
Printing, Stationery, and Forms		2,948	
Travel		1,151	
Office Supplies		2,461	
Data Processing Equipment		935	
Total County Trustee's Office			156,738

County Clerk's Office

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		116,456	
Longevity Pay		3,300	
Data Processing Services		14,098	
Dues and Memberships		554	
Operating Lease Payments		3,739	
Postal Charges		7,000	
Travel		1,178	
Duplicating Supplies		388	
Office Supplies		2,413	
Office Equipment		1,800	
Total County Clerk's Office			204,974

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		73,636	
Part-time Personnel		14,133	
Longevity Pay		2,300	
Jury and Witness Fees		7,000	
Data Processing Services		11,135	
Dues and Memberships		499	
Maintenance & Repair Services - Office Equipment		2,223	
Postal Charges		5,999	
Office Supplies		14,799	
Furniture and Fixtures		2,499	
Office Equipment		3,295	
Total Circuit Court			\$ 191,566

General Sessions Court

Deputy(ies)	\$	69,611	
Total General Sessions Court			69,611

General Sessions Judge

Judge(s)	\$	110,953	
Secretary(ies)		26,235	
Longevity Pay		300	
Dues and Memberships		100	
Travel		500	
Other Contracted Services		750	
Periodicals		1,541	
Total General Sessions Judge			140,379

Drug Court

Remittance of Revenue Collected	\$	13,727	
Total Drug Court			13,727

Chancery Court

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		72,804	
Part-time Personnel		2,025	
Longevity Pay		300	
Data Processing Services		4,908	
Dues and Memberships		574	
Legal Notices, Recording, and Court Costs		1,154	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Postal Charges	\$	4,079	
Travel		1,151	
Data Processing Supplies		776	
Office Supplies		5,994	
Total Chancery Court			\$ 147,813

Juvenile Court

Deputy(ies)	\$	27,000	
Probation Officer(s)		60,029	
Youth Service Officer(s)		34,663	
Part-time Personnel		7,350	
Longevity Pay		950	
Contracts with Other Public Agencies		5,800	
Dues and Memberships		125	
Postal Charges		93	
Travel		1,790	
Data Processing Supplies		339	
Office Supplies		947	
Other Charges		394	
Total Juvenile Court			139,480

Other Administration of Justice

Legal Services	\$	490	
Total Other Administration of Justice			490

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	59,452	
Assistant(s)		40,986	
Supervisor/Director		38,089	
Deputy(ies)		451,990	
Investigator(s)		145,240	
Lieutenant(s)		38,089	
Sergeant(s)		181,944	
Salary Supplements		13,486	
Dispatchers/Radio Operators		71,526	
Clerical Personnel		76,011	
Attendants		26,020	
Maintenance Personnel		6,963	
Temporary Personnel		17,848	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Overtime Pay	\$	13,599	
Other Salaries & Wages		35,374	
Data Processing Services		28,813	
Dues and Memberships		1,835	
Operating Lease Payments		1,764	
Maintenance & Repair Services - Buildings		1,734	
Maintenance & Repair Services - Equipment		11,194	
Maintenance & Repair Services - Office Equipment		1,531	
Maintenance & Repair Services - Vehicles		18,200	
Postal Charges		2,737	
Tow-in Services		265	
Travel		4,818	
Custodial Supplies		3,832	
Gasoline		63,979	
Office Supplies		13,250	
Tires and Tubes		4,029	
Uniforms		9,787	
Utilities		66,675	
Other Supplies and Materials		4,265	
In Service/Staff Development		3,642	
Data Processing Equipment		2,249	
Office Equipment		2,538	
Total Sheriff's Department			\$ 1,463,754

Special Patrols

Nightwatchmen	\$	69,430	
Total Special Patrols			69,430

Jail

Deputy(ies)	\$	50,092	
Lieutenant(s)		38,089	
Sergeant(s)		27,152	
Guards		486,923	
Cafeteria Personnel		24,886	
Maintenance Personnel		27,851	
Temporary Personnel		4,490	
Overtime Pay		19,227	
Other Salaries & Wages		20,436	
Data Processing Services		4,134	
Operating Lease Payments		1,266	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Maintenance & Repair Services - Buildings	\$	10,977	
Maintenance & Repair Services - Equipment		1,626	
Maintenance & Repair Services - Office Equipment		774	
Maintenance & Repair Services - Vehicles		1,115	
Medical and Dental Services		62,917	
Transportation - Other than Students		10,645	
Travel		1,421	
Custodial Supplies		14,966	
Drugs and Medical Supplies		54,900	
Food Preparation Supplies		3,512	
Food Supplies		122,781	
Prisoners Clothing		4,684	
Uniforms		3,941	
Other Supplies and Materials		3,495	
In Service/Staff Development		640	
Other Charges		6,919	
Total Jail			\$ 1,009,859

Juvenile Services

Probation Officer(s)	\$	27,916	
Salary Supplements		2,000	
Social Security		1,731	
State Retirement		1,684	
Unemployment Compensation		210	
Employer Medicare		405	
Communication		4,398	
Data Processing Services		1,200	
Maintenance & Repair Services - Vehicles		1,109	
Postal Charges		481	
Travel		1,338	
Data Processing Supplies		463	
Gasoline		970	
Office Supplies		1,289	
Other Charges		11,587	
Data Processing Equipment		1,000	
Total Juvenile Services			57,781

Fire Prevention and Control

Contracts with Other Public Agencies	\$	20,400	
Contributions		31,250	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

Other Equipment	\$ 378,693	
Total Fire Prevention and Control		\$ 430,343

Rescue Squad

Contributions	\$ 4,800	
Total Rescue Squad		4,800

Other Emergency Management

Supervisor/Director	\$ 15,894	
Communication	3,803	
Maintenance & Repair Services - Equipment	405	
Maintenance & Repair Services - Vehicles	518	
Travel	1,118	
Other Supplies and Materials	1,486	
Other Charges	193,162	
Total Other Emergency Management		216,386

County Coroner/Medical Examiner

Other Per Diem & Fees	\$ 6,525	
Other Contracted Services	32,686	
Total County Coroner/Medical Examiner		39,211

Public Health and Welfare

Local Health Center

Part-time Personnel	\$ 875	
Other Salaries & Wages	12,734	
Social Security	820	
Employer Medicare	192	
Communication	720	
Contracts with Government Agencies	23,000	
Dues and Memberships	185	
Maintenance & Repair Services - Buildings	3,995	
Maintenance & Repair Services - Office Equipment	958	
Postal Charges	3,353	
Travel	316	
Custodial Supplies	2,941	
Drugs and Medical Supplies	3,294	
Office Supplies	4,123	
Other Charges	4,558	
Total Local Health Center		62,064

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Rabies and Animal Control

Contracts with Other Public Agencies	\$ 3,627	
Total Rabies and Animal Control		\$ 3,627

Maternal and Child Health Services

Contributions	\$ 1,500	
Total Maternal and Child Health Services		1,500

Alcohol and Drug Programs

Contributions	\$ 3,000	
Drug Treatment	9,000	
Total Alcohol and Drug Programs		12,000

Crippled Children Services

Contracts with Government Agencies	\$ 2,660	
Total Crippled Children Services		2,660

Other Local Health Services

Contributions	\$ 15,650	
Other Supplies and Materials	5,927	
Total Other Local Health Services		21,577

Sanitation Management

Contracts with Private Agencies	\$ 17,464	
Total Sanitation Management		17,464

Social, Cultural, and Recreational Services

Adult Activities

Supervisor/Director	\$ 23,008
Social Workers	15,733
Bus Drivers	10,607
Part-time Personnel	16,297
Longevity Pay	250
Other Salaries & Wages	9,662
Social Security	4,627
Handling Charges & Administrative Costs	130
State Retirement	2,336
Unemployment Compensation	1,203
Employer Medicare	1,082
Communication	872
Maintenance & Repair Services - Vehicles	786

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Adult Activities (Cont.)

Postal Charges	\$	1,385	
Printing, Stationery, and Forms		700	
Travel		5,561	
Other Contracted Services		4,428	
Gasoline		1,976	
Office Supplies		1,057	
Other Charges		<u>598</u>	
Total Adult Activities	\$		102,298

Senior Citizens Assistance

Contributions	\$	<u>800</u>	
Total Senior Citizens Assistance			800

Libraries

Contributions	\$	104,030	
Building Improvements		<u>8,875</u>	
Total Libraries			112,905

Parks and Fair Boards

Contributions	\$	<u>21,000</u>	
Total Parks and Fair Boards			21,000

Other Social, Cultural, and Recreational

Contributions	\$	35,400	
Other Charges		<u>45,825</u>	
Total Other Social, Cultural, and Recreational			81,225

Agriculture & Natural Resources

Agriculture Extension Service

Deputy(ies)	\$	786	
Salary Supplements		62,984	
Part-time Personnel		7,257	
Social Security		1,248	
State Retirement		5,733	
Employer Medicare		657	
Communication		2,241	
Operating Lease Payments		738	
Postal Charges		226	
Rentals		8,667	
Travel		2,000	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Agriculture Extension Service (Cont.)

Custodial Supplies	\$ 1,455	
Total Agriculture Extension Service		\$ 93,992

Soil Conservation

Secretary(ies)	\$ 24,586	
Longevity Pay	250	
Social Security	1,524	
State Retirement	1,482	
Unemployment Compensation	31	
Employer Medicare	357	
Total Soil Conservation		28,230

Flood Control

Contributions	\$ 21,808	
Total Flood Control		21,808

Other Operations

Tourism

Advertising	\$ 1,224	
Contributions	20,524	
Total Tourism		21,748

Tourism-Resort District

Contributions	\$ 28,200	
Total Tourism-Resort District		28,200

Industrial Development

Architects	\$ 4,387	
Contributions	50,000	
Other Construction	82,715	
Total Industrial Development		137,102

Airport

Supervisor/Director	\$ 32,789	
Part-time Personnel	22,618	
Longevity Pay	50	
Social Security	3,407	
State Retirement	1,977	
Employer Medicare	797	
Communication	4,430	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Airport (Cont.)

Maintenance & Repair Services - Buildings	\$	7,148	
Maintenance & Repair Services - Equipment		20,367	
Maintenance & Repair Services - Vehicles		205	
Travel		32	
Remittance of Revenue Collected		8,772	
Other Contracted Services		4,144	
Diesel Fuel		1,035	
Gasoline		156,674	
Office Supplies		402	
Utilities		14,976	
Liability Insurance		4,500	
Other Charges		4,469	
Other Equipment		4,795	
Total Airport			\$ 293,587

Veterans' Services

County Official/Administrative Officer	\$	26,667	
Longevity Pay		250	
Postal Charges		66	
Transportation - Other than Students		2,374	
Travel		600	
Office Supplies		60	
Total Veterans' Services			30,017

Other Charges

Advertising	\$	1,606	
Audit Services		7,121	
Dues and Memberships		10,607	
Pest Control		6,297	
Other Supplies and Materials		3,897	
Premiums on Corporate Surety Bonds		2,611	
Trustee's Commission		82,519	
Total Other Charges			114,658

Contributions to Other Agencies

Contributions	\$	17,050	
Matching Share		48,843	
Remittance of Revenue Collected		96,722	
Total Contributions to Other Agencies			162,615

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Employee Benefits

Social Security	\$	222,791	
State Retirement		245,357	
Medical Insurance		472,813	
Unemployment Compensation		25,470	
Employer Medicare		51,722	
Workers' Compensation Insurance		76,833	
Total Employee Benefits			\$ 1,094,986

Miscellaneous

Other Contracted Services	\$	5,878	
Land		7,499	
Total Miscellaneous			13,377

Total General Fund \$ 8,039,739

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$	33,772	
Longevity Pay		150	
Social Security		2,016	
State Retirement		2,036	
Medical Insurance		4,727	
Unemployment Compensation		210	
Employer Medicare		579	
Advertising		685	
Dues and Memberships		281	
Postal Charges		55	
Travel		3,619	
Office Supplies		173	
Data Processing Equipment		30	
Total Sanitation Management			\$ 48,333

Recycling Center

Foremen	\$	23,515	
Truck Drivers		166,428	
Part-time Personnel		3,103	
Longevity Pay		300	
Overtime Pay		1,061	
Social Security		12,053	

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Recycling Center (Cont.)

State Retirement	\$	10,790	
Medical Insurance		43,301	
Unemployment Compensation		2,109	
Employer Medicare		2,819	
Communication		3,240	
Freight Expenses		13,572	
Operating Lease Payments		75	
Maintenance & Repair Services - Buildings		5,021	
Maintenance & Repair Services - Equipment		9,508	
Maintenance & Repair Services - Office Equipment		386	
Maintenance & Repair Services - Vehicles		9,177	
Pest Control		160	
Tow-in Services		50	
Custodial Supplies		819	
Drugs and Medical Supplies		873	
Food Supplies		4,520	
Gasoline		22,772	
Natural Gas		830	
Office Supplies		160	
Road Signs		377	
Small Tools		677	
Tires and Tubes		2,956	
Utilities		6,545	
Wire		4,000	
Other Supplies and Materials		1,844	
Other Charges		2,760	
Office Equipment		885	
Total Recycling Center			\$ 356,686

Landfill Operation and Maintenance

Contracts with Government Agencies	\$	50,150	
Total Landfill Operation and Maintenance			50,150

Other Waste Disposal

Disposal Fees	\$	30,382	
Total Other Waste Disposal			30,382

Other Operations

Other Charges

Trustee's Commission	\$	5,446	
Total Other Charges			5,446

Total Solid Waste/Sanitation Fund \$ 490,997

(Continued)

Exhibit J-7

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

Drug Control Fund

Public Safety

Drug Enforcement

Communication	\$	567	
Confidential Drug Enforcement Payments		2,000	
Maintenance Agreements		10,280	
Maintenance & Repair Services - Equipment		174	
Maintenance & Repair Services - Vehicles		328	
Tow-in Services		1,292	
Animal Food and Supplies		1,031	
Law Enforcement Supplies		83	
Utilities		260	
Trustee's Commission		342	
Total Drug Enforcement			\$ 16,357

Total Drug Control Fund \$ 16,357

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$	6,861	
Total Chancery Court			\$ 6,861

Total Constitutional Officers - Fees Fund 6,861

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	59,452	
Assistant(s)		30,044	
Guards		57,160	
Secretary(ies)		51,838	
Custodial Personnel		5,326	
Other Salaries & Wages		23,350	
Board and Committee Members Fees		6,540	
Maintenance & Repair Services - Buildings		1,129	
Maintenance & Repair Services - Office Equipment		738	
Postal Charges		964	
Printing, Stationery, and Forms		1,558	
Travel		962	
Permits		2,500	
Custodial Supplies		727	
Drugs and Medical Supplies		391	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Office Supplies	\$	800	
In Service/Staff Development		500	
Other Charges		599	
Total Administration			\$ 244,578

Highway and Bridge Maintenance

Equipment Operators	\$	319,408	
Truck Drivers		293,107	
Laborers		141,107	
Overtime Pay		17,918	
Unemployment Compensation		6	
Rentals		2,260	
Other Contracted Services		42,118	
Asphalt - Hot Mix		36,672	
Asphalt - Liquid		99,959	
Concrete		3,040	
Crushed Stone		244,961	
General Construction Materials		586	
Other Road Supplies		447	
Pipe		39,971	
Road Signs		9,999	
Sand		294	
Small Tools		584	
Wood Products		3,884	
Other Charges		1,796	
Total Highway and Bridge Maintenance			1,258,117

Operation and Maintenance of Equipment

Mechanic(s)	\$	151,586	
Overtime Pay		4,533	
Maintenance & Repair Services - Equipment		14,872	
Tow-in Services		190	
Other Contracted Services		9,999	
Diesel Fuel		174,769	
Equipment and Machinery Parts		99,879	
Garage Supplies		1,018	
Gasoline		51,399	
Ice		822	
Lubricants		11,846	
Propane Gas		130	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Small Tools	\$	1,097	
Tires and Tubes		35,849	
Other Supplies and Materials		10,840	
Other Charges		682	
Total Operation and Maintenance of Equipment			\$ 569,511

Litter and Trash Collection

Educational Assistants	\$	11,020	
Other Salaries & Wages		20,303	
Other Charges		3,958	
Total Litter and Trash Collection			35,281

Other Charges

Communication	\$	4,789	
Data Processing Services		148	
Dues and Memberships		2,649	
Evaluation and Testing		1,035	
Legal Notices, Recording, and Court Costs		914	
Data Processing Supplies		198	
Utilities		16,040	
Water and Sewer		1,500	
Trustee's Commission		51,046	
Vehicle and Equipment Insurance		13,500	
Workers' Compensation Insurance		113,544	
Other Charges		169	
Total Other Charges			205,532

Employee Benefits

Social Security	\$	73,264	
State Retirement		66,846	
Medical Insurance		255,277	
Unemployment Compensation		11,230	
Employer Medicare		17,256	
Other Fringe Benefits		18,281	
Total Employee Benefits			442,154

Capital Outlay

Engineering Services	\$	33,938	
Bridge Construction		159,479	
Building Improvements		213,611	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay (Cont.)

Highway Construction	\$ 578,597	
Highway Equipment	9,902	
Motor Vehicles	20,848	
Office Equipment	30,439	
Plant Operation Equipment	5,686	
Total Capital Outlay	<u>5,686</u>	\$ 1,052,500

Total Highway/Public Works Fund \$ 3,807,673

General Debt Service Fund

Other Operations

Other Charges

Trustee's Commission	\$ 11,003	
Total Other Charges	<u>11,003</u>	\$ 11,003

Principal on Debt

General Government

Principal on Notes	\$ 288,000	
Principal on Other Loans	412,000	
Total General Government	<u>412,000</u>	700,000

Education

Principal on Bonds	\$ 829,375	
Principal on Other Loans	151,300	
Total Education	<u>151,300</u>	980,675

Interest on Debt

General Government

Interest on Notes	\$ 10,817	
Interest on Other Loans	96,105	
Total General Government	<u>96,105</u>	106,922

Education

Interest on Bonds	\$ 628,698	
Interest on Other Loans	63,270	
Total Education	<u>63,270</u>	691,968

Other Debt Service

General Government

Bank Charges	\$ 9,836	
Total General Government	<u>9,836</u>	9,836

(Continued)

Exhibit J-7

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

General Debt Service Fund (Cont.)

Other Debt Service (Cont.)

Education

Bank Charges	\$ 12,614	
Total Education	<u>12,614</u>	\$ 12,614

Total General Debt Service Fund		\$ 2,513,018
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General Capital Projects Fund

Capital Projects

General Administration Projects

Airport Improvement	\$ 5,097	
Building Improvements	8,530	
Data Processing Equipment	7,448	
Heating and Air Conditioning Equipment	2,110	
Law Enforcement Equipment	20,772	
Motor Vehicles	73,600	
Other Construction	34,354	
Other Capital Outlay	<u>250</u>	
Total General Administration Projects		\$ <u>152,161</u>

Total General Capital Projects Fund		<u>152,161</u>
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Total Governmental Funds - Primary Government		<u>\$ 15,026,806</u>
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Exhibit J-8

Henry County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Henry County School Department  
For the Year Ended June 30, 2006

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	6,212,452	
Career Ladder Program		117,220	
Career Ladder Extended Contracts		67,980	
Homebound Teachers		28,831	
Educational Assistants		213,854	
Other Salaries & Wages		32,624	
Certified Substitute Teachers		22,557	
Non-certified Substitute Teachers		54,236	
Social Security		396,364	
State Retirement		355,279	
Medical Insurance		828,252	
Unemployment Compensation		6,563	
Employer Medicare		92,700	
Other Fringe Benefits		4,580	
Maintenance & Repair Services - Equipment		10,679	
Other Contracted Services		20,414	
Instructional Supplies and Materials		132,193	
Textbooks		160,119	
Other Supplies and Materials		26,051	
Other Charges		60,212	
Regular Instruction Equipment		118,890	
Total Regular Instruction Program			\$ 8,962,050

Special Education Program

Teachers	\$	821,494	
Career Ladder Program		14,000	
Career Ladder Extended Contracts		1,500	
Educational Assistants		104,259	
Certified Substitute Teachers		560	
Non-certified Substitute Teachers		6,739	
Social Security		56,019	
State Retirement		52,318	
Medical Insurance		99,187	
Unemployment Compensation		1,000	
Employer Medicare		13,101	
Other Fringe Benefits		1,184	
Total Special Education Program			1,171,361

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Teachers	\$	499,148	
Career Ladder Program		8,200	
Career Ladder Extended Contracts		1,640	
Certified Substitute Teachers		806	
Non-certified Substitute Teachers		6,683	
Social Security		30,588	
State Retirement		27,995	
Medical Insurance		64,652	
Unemployment Compensation		421	
Employer Medicare		7,154	
Other Fringe Benefits		344	
Maintenance & Repair Services - Equipment		1,434	
Other Contracted Services		49,189	
Instructional Supplies and Materials		8,432	
Textbooks		8,300	
Total Vocational Education Program			\$ 714,986

Adult Education Program

Teachers	\$	123,419	
Other Salaries & Wages		40,680	
Social Security		9,687	
State Retirement		6,136	
Medical Insurance		9,539	
Unemployment Compensation		280	
Employer Medicare		2,266	
Other Fringe Benefits		129	
Travel		5,079	
Other Contracted Services		6,088	
Instructional Supplies and Materials		17,770	
Other Charges		4,408	
Total Adult Education Program			225,481

Support Services

Attendance

Supervisor/Director	\$	48,597	
Career Ladder Program		3,000	
Career Ladder Extended Contracts		4,000	
Social Workers		34,150	
Other Salaries & Wages		50,954	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

Social Security	\$	8,474	
State Retirement		8,009	
Medical Insurance		5,800	
Unemployment Compensation		129	
Employer Medicare		1,982	
Other Fringe Benefits		108	
Travel		3,168	
Other Contracted Services		11,425	
Other Supplies and Materials		600	
Other Charges		1,272	
Total Attendance			\$ 181,668

Health Services

Medical Personnel	\$	101,389	
Other Salaries & Wages		25,696	
Social Security		7,358	
State Retirement		5,920	
Medical Insurance		4,091	
Unemployment Compensation		276	
Employer Medicare		1,721	
Other Fringe Benefits		194	
Travel		2,985	
Drugs and Medical Supplies		4,727	
Other Supplies and Materials		7,589	
Other Charges		500	
Total Health Services			162,446

Other Student Support

Career Ladder Program	\$	5,985	
Guidance Personnel		349,256	
Career Ladder Extended Contracts		3,500	
Secretary(ies)		21,867	
Social Security		22,520	
State Retirement		21,049	
Medical Insurance		34,976	
Unemployment Compensation		349	
Employer Medicare		5,267	
Other Fringe Benefits		1,525	
Evaluation and Testing		16,412	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Other Contracted Services	\$	2,787	
Other Supplies and Materials		804	
Other Charges		441	
Total Other Student Support			\$ 486,738

Regular Instruction Program

Supervisor/Director	\$	64,134	
Career Ladder Program		8,000	
Career Ladder Extended Contracts		17,000	
Librarians		233,363	
Instructional Computer Personnel		72,228	
Secretary(ies)		23,907	
Clerical Personnel		24,375	
Other Salaries & Wages		79,713	
Social Security		30,834	
State Retirement		28,285	
Medical Insurance		39,121	
Unemployment Compensation		432	
Employer Medicare		7,211	
Other Fringe Benefits		280	
Travel		15,716	
Library Books/Media		43,062	
In Service/Staff Development		19,843	
Total Regular Instruction Program			707,504

Special Education Program

Supervisor/Director	\$	55,154	
Career Ladder Program		3,000	
Career Ladder Extended Contracts		2,000	
Secretary(ies)		21,915	
Social Security		4,458	
State Retirement		4,630	
Medical Insurance		6,524	
Unemployment Compensation		64	
Employer Medicare		1,043	
Other Fringe Benefits		43	
Total Special Education Program			98,831

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program

Supervisor/Director	\$	55,513	
Career Ladder Program		1,000	
Career Ladder Extended Contracts		2,000	
Social Security		3,600	
State Retirement		3,218	
Medical Insurance		4,477	
Unemployment Compensation		32	
Employer Medicare		842	
Other Fringe Benefits		22	
Travel		4,794	
Total Vocational Education Program			\$ 75,498

Board of Education

Secretary to Board	\$	2,006	
Other Salaries & Wages		27,508	
Board and Committee Members Fees		7,800	
Social Security		2,296	
State Retirement		1,780	
Unemployment Compensation		28	
Employer Medicare		537	
Audit Services		12,500	
Dues and Memberships		4,960	
Legal Services		4,618	
Travel		4,188	
Liability Insurance		26,153	
Trustee's Commission		167,782	
Workers' Compensation Insurance		131,828	
Criminal Investigation of Applicants - TBI		2,256	
Refund to Applicant for Criminal Investigation		1,488	
Other Charges		5,401	
Total Board of Education			403,129

Director of Schools

County Official/Administrative Officer	\$	103,908
Assistant(s)		13,969
Career Ladder Program		1,000
Secretary(ies)		43,056
Clerical Personnel		23,907
Social Security		10,377

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

State Retirement	\$	10,307	
Medical Insurance		15,256	
Unemployment Compensation		99	
Employer Medicare		2,610	
Other Fringe Benefits		129	
Communication		8,329	
Dues and Memberships		2,707	
Postal Charges		6,179	
Travel		6,566	
Other Contracted Services		7,483	
Office Supplies		11,501	
Other Charges		1,292	
Administration Equipment		5,694	
Total Director of Schools			\$ 274,369

Office of the Principal

Principals	\$	366,693	
Career Ladder Program		12,000	
Accountants/Bookkeepers		18,936	
Career Ladder Extended Contracts		36,900	
Assistant Principals		282,955	
Secretary(ies)		124,162	
Clerical Personnel		15,810	
Social Security		50,422	
State Retirement		47,484	
Medical Insurance		66,472	
Unemployment Compensation		653	
Employer Medicare		11,792	
Other Fringe Benefits		430	
Communication		16,954	
Dues and Memberships		2,700	
Travel		2,670	
Office Supplies		21,601	
Other Charges		23,667	
Total Office of the Principal			1,102,301

Fiscal Services

Accountants/Bookkeepers	\$	69,497	
Social Security		3,984	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

State Retirement	\$	4,191	
Medical Insurance		4,471	
Unemployment Compensation		64	
Employer Medicare		932	
Other Fringe Benefits		43	
Travel		62	
Other Contracted Services		2,690	
Data Processing Supplies		314	
Total Fiscal Services			\$ 86,248

Operation of Plant

Other Contracted Services	\$	487,997	
Electricity		501,937	
Natural Gas		159,799	
Water and Sewer		55,982	
Boiler Insurance		5,978	
Building and Contents Insurance		108,908	
Total Operation of Plant			1,320,601

Maintenance of Plant

Supervisor/Director	\$	41,090	
Maintenance Personnel		184,062	
Social Security		13,590	
State Retirement		12,274	
Medical Insurance		6,707	
Unemployment Compensation		290	
Employer Medicare		3,178	
Other Fringe Benefits		194	
Laundry Service		3,716	
Other Contracted Services		68,626	
Other Supplies and Materials		133,887	
Other Charges		4,888	
Maintenance Equipment		4,000	
Total Maintenance of Plant			476,502

Transportation

Supervisor/Director	\$	41,090	
Mechanic(s)		102,181	
Bus Drivers		470,086	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Clerical Personnel	\$	21,666	
Other Salaries & Wages		17,266	
In-Service Training		1,727	
Social Security		39,809	
State Retirement		34,259	
Medical Insurance		5,392	
Unemployment Compensation		1,660	
Employer Medicare		9,310	
Other Fringe Benefits		1,010	
Laundry Service		3,130	
Maintenance & Repair Services - Vehicles		1,611	
Medical and Dental Services		4,829	
Diesel Fuel		223,995	
Garage Supplies		773	
Gasoline		16,046	
Lubricants		4,510	
Tires and Tubes		25,972	
Vehicle Parts		51,717	
Other Supplies and Materials		11,391	
Vehicle and Equipment Insurance		33,625	
Other Charges		7,856	
Transportation Equipment		179,377	
Total Transportation			\$ 1,310,288

Operation of Non-Instructional Services

Community Services

Teachers	\$	48,138	
Other Salaries & Wages		73,407	
Social Security		7,262	
State Retirement		6,548	
Medical Insurance		4,938	
Unemployment Compensation		205	
Employer Medicare		1,698	
Travel		9,766	
Other Contracted Services		83,788	
Food Supplies		38,048	
Other Supplies and Materials		24,881	
Other Charges		27,422	
Total Community Services			326,101

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education

Teachers	\$	96,104	
Educational Assistants		43,383	
Certified Substitute Teachers		420	
Non-certified Substitute Teachers		3,043	
Social Security		8,612	
State Retirement		6,675	
Medical Insurance		2,827	
Unemployment Compensation		259	
Employer Medicare		2,014	
Travel		1,210	
Other Contracted Services		269	
Food Supplies		2,604	
Instructional Supplies and Materials		16,406	
Other Supplies and Materials		6,754	
Total Early Childhood Education			\$ 190,580

Capital Outlay

Regular Capital Outlay

Architects	\$	23,483	
Other Contracted Services		3,644	
Building Construction		194,818	
Building Improvements		125,886	
Land		13,074	
Other Capital Outlay		76,526	
Total Regular Capital Outlay			437,431

Principal on Debt

Education

Principal on Capital Leases	\$	51,706	
Total Education			51,706

Interest on Debt

Education

Interest on Capital Leases	\$	1,788	
Total Education			1,788

Other Debt Service

Education

Contributions	\$	1,458,073	
Total Education			1,458,073

Total General Purpose School Fund \$ 20,225,680

(Continued)

Exhibit J-8

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	394,224	
Educational Assistants		74,221	
Other Salaries & Wages		55,200	
Certified Substitute Teachers		2,070	
Non-certified Substitute Teachers		4,065	
Social Security		32,042	
State Retirement		28,329	
Medical Insurance		23,052	
Unemployment Compensation		690	
Employer Medicare		7,494	
Instructional Supplies and Materials		119,070	
Total Regular Instruction Program			\$ 740,457

Special Education Program

Teachers	\$	131,698	
Educational Assistants		230,944	
Non-certified Substitute Teachers		430	
Social Security		21,582	
State Retirement		17,975	
Medical Insurance		19,758	
Unemployment Compensation		797	
Employer Medicare		5,047	
Maintenance & Repair Services - Equipment		2,133	
Instructional Supplies and Materials		80,678	
Other Supplies and Materials		1,815	
Special Education Equipment		75,844	
Total Special Education Program			588,701

Vocational Education Program

Educational Assistants	\$	21,792	
Social Security		1,324	
State Retirement		1,314	
Unemployment Compensation		63	
Employer Medicare		310	
Instructional Supplies and Materials		38,398	
Vocational Instruction Equipment		17,211	
Total Vocational Education Program			80,412

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services

Other Student Support

Other Salaries & Wages	\$	1,875	
Social Security		114	
State Retirement		103	
Employer Medicare		27	
Travel		20,860	
Other Contracted Services		1,873	
Other Supplies and Materials		798	
In Service/Staff Development		11,335	
Other Charges		6,724	
Total Other Student Support			\$ 43,709

Regular Instruction Program

Supervisor/Director	\$	55,872	
Secretary(ies)		23,907	
Social Security		4,780	
State Retirement		4,515	
Medical Insurance		2,236	
Unemployment Compensation		59	
Employer Medicare		1,118	
Travel		7,959	
Other Supplies and Materials		1,651	
In Service/Staff Development		62,372	
Other Charges		552	
Total Regular Instruction Program			165,021

Special Education Program

Psychological Personnel	\$	48,499	
Secretary(ies)		1,992	
Other Salaries & Wages		15,000	
Social Security		3,951	
State Retirement		3,692	
Medical Insurance		4,305	
Unemployment Compensation		64	
Employer Medicare		924	
Travel		19,937	
Other Contracted Services		57,103	
In Service/Staff Development		10,042	
Total Special Education Program			165,509

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Vocational Education Program

Travel	\$	810	
Other Supplies and Materials		678	
Other Charges		335	
Total Vocational Education Program			\$ 1,823

Office of the Principal

Communication	\$	2,895	
Total Office of the Principal			2,895

Transportation

Bus Drivers	\$	26,643	
Other Salaries & Wages		2,469	
Social Security		1,801	
State Retirement		1,607	
Unemployment Compensation		77	
Employer Medicare		421	
Contracts with Parents		4,083	
In Service/Staff Development		24	
Total Transportation			<u>37,125</u>

Total School Federal Projects Fund \$ 1,825,652

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	41,090	
Accountants/Bookkeepers		22,472	
Cafeteria Personnel		450,883	
Social Security		30,382	
State Retirement		25,113	
Medical Insurance		12,505	
Unemployment Compensation		1,469	
Employer Medicare		7,105	
Communication		2,349	
Maintenance & Repair Services - Equipment		2,124	
Travel		3,857	
Other Contracted Services		35,816	
Food Preparation Supplies		3,711	
Food Supplies		621,619	

(Continued)

Exhibit J-8

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Uniforms	\$ 5,412	
Other Supplies and Materials	57,281	
In Service/Staff Development	3,411	
Other Charges	321	
Food Service Equipment	<u>17,950</u>	
Total Food Service		<u>\$ 1,344,870</u>

Total Central Cafeteria Fund \$ 1,344,870

Total Governmental Funds - Henry County School Department \$ 23,396,202

## Exhibit J-9

Henry County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balances - City Agency Funds  
For the Year Ended June 30, 2006

	Cities - Sales Tax Fund	Special School District Fund	Total
<u>Cash Receipts</u>			
Current Property Tax	\$ 0	\$ 1,815,746	\$ 1,815,746
Trustee's Collections - Prior Year	0	94,582	94,582
Circuit/Clerk & Master Collections - Prior Years	0	50,575	50,575
Interest and Penalty	0	36,919	36,919
Pick-up Taxes	0	1,097	1,097
Payments in Lieu of Taxes - T.V.A.	0	1,457	1,457
Payments in Lieu of Taxes - Local Utilities	0	26,063	26,063
Local Option Sales Tax	3,210,092	1,188,424	4,398,516
Business Tax	0	52,859	52,859
Bank Excise Tax	0	27,015	27,015
Interstate Telecommunications Tax	0	1,681	1,681
City/School District Property Taxes:			
Current Property Tax	0	947,588	947,588
Prior Year's Property Tax	0	66,472	66,472
Interest and Penalty	0	28,147	28,147
Marriage Licenses	0	929	929
Income Tax	0	19,015	19,015
Mixed Drink Tax	0	1,658	1,658
Total Cash Receipts	<u>\$ 3,210,092</u>	<u>\$ 4,360,227</u>	<u>\$ 7,570,319</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 3,177,991	\$ 4,289,670	\$ 7,467,661
Trustee's Commission	32,101	72,884	104,985
Total Cash Disbursements	<u>\$ 3,210,092</u>	<u>\$ 4,362,554</u>	<u>\$ 7,572,646</u>
Excess of Cash Receipts Over (Under)			
Cash Disbursements	\$ 0	\$ (2,327)	\$ (2,327)
Cash Balance, July 1, 2005	0	211,316	211,316
Cash Balance, June 30, 2006	<u>\$ 0</u>	<u>\$ 208,989</u>	<u>\$ 208,989</u>

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## **SINGLE AUDIT SECTION**

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841  
FAX (615) 741-6216

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 25, 2006

Henry County Mayor and  
Board of County Commissioners  
Henry 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 Henry County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise Henry County's basic financial statements and have issued our report thereon dated October 25, 2006. 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 Henry 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 Henry 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 06.01, 06.03, 06.05, 06.07, 06.08, 06.09, 06.10, 06.11, 06.12, 06.13, and 06.14.

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, of the reportable conditions described above, we consider items 06.09, 06.10, and 06.11 to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Henry County's 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 06.02, 06.04, and 06.06.

We have also noted certain other matters that we reported to the management of Henry 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/rc



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1600  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (616) 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 25, 2006

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Henry 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, 2006. Henry 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 Henry County's management. Our responsibility is to express an opinion on Henry 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 Henry 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 Henry County's compliance with those requirements.

In our opinion, Henry 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, 2006.

### Internal Control Over Compliance

The management of Henry 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 Henry 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.

We noted certain matters involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect Henry County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.08 and 06.15.

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 the applicable requirements of laws, regulations, contracts, and grants 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. Our consideration of the internal control over compliance 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 considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

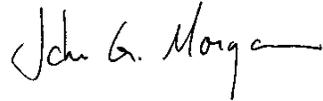
### Schedule of Federal Awards

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 Henry County, Tennessee, as of and for the year ended June 30, 2006, and have issued our report thereon dated October 25, 2006. 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,

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

John G. Morgan  
Comptroller of the Treasury

JGM/rc

OTHER AUDITOR'S 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  
For the Henry County Medical Center

The Board of Trustees  
Henry County Medical Center  
Paris, Tennessee:

We have audited the financial statements of Henry County Medical Center, a component unit of Henry County, Tennessee, as of and for the year ended June 30, 2006, and have issued our report thereon. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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 the medical center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the medical center'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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of Henry County Medical Center in a separate letter.

This report is intended for the information of the Board of Trustees, management, and the State of Tennessee Comptroller of the Treasury, Department of Audit and is not intended to be and should not be used by anyone other than those specified parties.

OTHER AUDITOR'S 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  
For the Henry County Emergency Communications District

To the Board of Directors  
Henry County Emergency Communications District  
Paris, Tennessee

We have audited the financial statements of the Henry County Emergency Communications District, a component unit of Henry County, Tennessee, as of and for the year ended June 30, 2006, and have issued our report thereon. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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 Henry County Emergency Communications District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 the district's ability to initiate, record, process, 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 recommendations as item 06-1.

A material weakness is a 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 over financial reporting that might be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Henry County Emergency Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 one instance of noncompliance that is required to be reported under Government Auditing Standards and is described in the accompanying schedule of findings and recommendations as item 06-2.

This report is intended solely for the information and use of management, the Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

## AUDIT FINDINGS AND RECOMMENDATIONS

For the Year Ended June 30, 2006

### 06-1 Segregation of Duties

**Condition:** The district has only two administrative employees who are responsible for receiving mail, making deposits, posting books, and reconciling accounts. As a result of the limited number of administrative employees, the Henry County Emergency Communications District could not fully segregate the record-keeping and custodial functions of its internal accounting controls.

**Criteria:** Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that the internal accounting controls are effective. For example, someone other than the person making the deposit should log in the checks received and trace them back to the deposit slip.

**Effect:** The risk of errors and irregularities occurring and not being detected in a timely manner increases when accounting functions are not adequately segregated.

**Recommendation:** While auditors recognize that staff size, due to funding limitations, is not adequate to fully segregate the functions mentioned above, management needs to be aware that this limitation does exist in the district's internal accounting controls.

**Response:** The director will segregate the various duties between himself and the administrative assistant. Each of the two will have separate duties regarding the collection, receipt, and deposit of monies and the general ledger posting and account reconciliation.

### Non-compliance

### 06-2 Untimely Deposits

**Condition:** The district failed to deposit some of the revenues it received during the year within three banking days.

Criteria: Section 6-56-111, Tennessee Code Annotated requires that all monies collected by the municipality be deposited within three banking days of receipt.

Effect: Untimely deposits could result in lost interest income and the unauthorized use of funds.

Recommendation: All monies collected should be deposited within three banking days of being received.

Response: Management will begin using a log book to post and date the receipt of revenues and monitor deposit dates. The director will make every effort to see that all revenues are deposited within three banking days.

Henry County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2006

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 Distribution (Noncash Assistance)	10.550	N/A	\$ 90,995
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	213,018
National School Lunch Program	10.555	N/A	606,039
Passed-through State Department of Human Services:			
Child and Adult Care Food Program	10.558	(2)	3,214
Child and Adult Care Food Program	10.558	(3)	41,334
Total U.S. Department of Agriculture			<u>\$ 954,600</u>
U.S. Department of Housing and Urban Development:			
Direct Federal Program:			
Shelter Plus Care	14.238	TN37C307001	\$ 96,722
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	GG-05-11565-00	297,944
Total U.S. Department of Housing and Urban Development			<u>\$ 394,666</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(4)	\$ 95,152
Total U.S. Department of Justice			<u>\$ 95,152</u>
U.S. Department of Labor:			
Passed-through Southwest Human Resources Agency:			
WIA Youth Activities	17.259	05-11-079-002-2082	\$ 3,437
Passed-through State Department of Labor and Workforce Development:			
Incentive Grants - WIA Section 503	17.267	Z-06-030905-00	3,181
Total U.S. Department of Labor			<u>\$ 6,618</u>
Federal Aviation Administration:			
Passed-through State Department of Transportation:			
Airport Improvement Program	20.106	(5)	\$ 51,949
Total Federal Aviation Administration			<u>\$ 51,949</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	(6)	\$ 166,939
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	728,238
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	704,755
Special Education - Preschool Grants	84.173	N/A	49,780
Vocational Education - Basic Grants to States	84.048	N/A	114,429
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	31,941
State Grants for Innovative Programs	84.298	N/A	6,405
English Language Acquisition Grants	84.365	N/A	19,558
Improving Teacher Quality State Grants	84.367	N/A	200,777
Hurricane Education Recovery	84.938	(2)	33,606
Total U.S. Department of Education			<u>\$ 2,056,428</u>

(Continued)

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

Federal/Pass Through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services:			
Passed-through Northwest Tennessee Development District:			
Special Programs for the Aging - Title III, Part B - Grants for Support Services and Senior Centers	93.044	(2)	\$ 34,917
Passed-through State Department of Education:			
Temporary Assistance for Needy Families (Family First)	93.558	Z-06-027191-00	22,945
Passed-through Tennessee State University:			
Head Start	93.600	(2)	<u>111,000</u>
Total U.S. Department of Health and Human Services			<u>\$ 168,862</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	(7)	\$ 163,541
Emergency Management Performance Grants	97.042	(8)	<u>8,930</u>
Total U.S. Department of Homeland Security			<u>\$ 172,471</u>
Total Expenditures of Federal Awards			<u>\$ 3,900,746</u>

State Grants

		<u>Contract Number</u>	
Juvenile Justice and Delinquency Prevention - State Department of Children's Services	N/A	(9)	\$ 71,127
Airport Maintenance Program - State Department of Transportation	N/A	Z-05-02389-01	16,402
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	15,557
Preventive Health and Human Services - State Department of Health	N/A	Z-06-02600-02	856
Preventive Health and Human Services - State Department of Health	N/A	(2)	4,000
Fastrack Infrastructure Development Program - State Department of Economic and Community Development	N/A	GG-05-11706-00	128,336
Litter Grant - State Department of Transportation	N/A	Z-06-02797-00	29,640
Waste Tire Options Grant - State Department of Environment and Conservation	N/A	Z-03-011332-00	28,188
Coordinated School Health Improvement for Essential Structures - State Department of Education	N/A	(2)	66,562
Early Childhood Education Pilot Project - State Department of Education	N/A	(2)	244,005
English Language Civics Grant - State Department of Labor and Workforce Development	N/A	(2)	3,735
Family Resource Center - State Commission on Children and Youth	N/A	(2)	33,300
High Schools That Work - State Department of Education	N/A	(2)	<u>4,952</u>
Total State Grants			<u>\$ 646,660</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) DA0500086: \$11,061; DA0600110: \$30,273

(4) GG-05-11372-00: \$1,257; GG-05-11436-00: \$6,644; GG-06-11958-00: \$65,223; GG-06-12143-00: \$13,028; Z-06002606: \$9,000

(5) Z-03-014250-00: \$43,926; Z-04-019003-00: \$8,023

(6) Z-06-027782-00: \$147,601; Z-05-022229-00: \$19,338

(7) GG-05-11678-01: \$115,000; Z-04-022454-02: \$48,541

(8) Z-05-025413-00: \$3,114; Z-06-032840-00: \$5,816

(9) GG-06-11980-00: \$57,781; GG-05-11302-00: \$13,346

Henry County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2006

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 Henry County, Tennessee, for the year ended June 30, 2005, which have not been corrected.

**OFFICE OF COUNTY MAYOR**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.01	178	Purchase orders were issued after purchases were made

**OFFICE OF ROAD SUPERVISOR**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.04	180	Purchase orders were issued after purchases were made

**OFFICE OF SHERIFF**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.10	183 & 184	A signature stamp was used to sign documents

**OTHER FINDINGS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.12	185	Duties were not segregated adequately in the Offices of County Clerk, Circuit and General Sessions Courts Clerk, Register, and Sheriff
05.13	186	A central system of accounting, budgeting, and purchasing had not been adopted

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**HENRY COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2006**

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**PART I, SUMMARY OF AUDITOR'S RESULTS**

1. Our report on the financial statements of Henry County is unqualified.
2. The audit of the financial statements of Henry County disclosed reportable conditions in internal control. Three of these conditions were considered to be material weaknesses.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of Henry County.
4. The audit disclosed one reportable condition in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed one finding that is required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), the 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. Henry County did not qualify as a low-risk auditee.

## **PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS**

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

### **OFFICE OF COUNTY MAYOR**

**FINDING 06.01      PURCHASE ORDERS WERE ISSUED AFTER PURCHASES WERE MADE**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

In most 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**

The office should improve purchasing procedures by issuing purchase orders before purchases are made.

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**FINDING 06.02      EXPENDITURES EXCEEDED APPROPRIATIONS**  
(Noncompliance Under Government Auditing Standards)

General Fund expenditures exceeded appropriations approved by the County Commission in the Libraries and Transfers Out major appropriation categories (the legal level of control) by \$8,875 and \$3,100, respectively. Section 5-9-401, Tennessee Code Annotated, states that "All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies."

### **RECOMMENDATION**

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

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**FINDING 06.03      THE MECHANICAL CHECK-SIGNING MACHINE'S COUNTER COULD BE RESET**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office used a mechanical check-signing machine to affix the signature of the county mayor. The mechanical counter on the machine could be reset; therefore, we could not ensure that the office accounted for all checks.

RECOMMENDATION

The mechanical check-signing machine should have a counter that cannot be reset to ensure that the total number of checks processed are accounted for accurately.

MANAGEMENT'S RESPONSE – COUNTY MAYOR (DIRECT QUOTE)

Please be advised that Henry County is in the process of purchasing a Check Ease check-signing machine from Local Government Data Processing. We sincerely hope that this newly funded capital expenditure will address the finding in our audit.

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FINDING 06.04      **THE COUNTY USED A QUESTIONABLE METHOD OF FUNDING OFFICIALS' CORPORATE SURETY BONDS**  
(Noncompliance Under Government Auditing Standards)

During the year, officials' corporate surety bonds and employees' dishonesty bonds for the general county government and Highway Department were paid from the county's General Fund. The state attorney general has opined that state statutes authorize a county to levy a tax for county general purposes and has defined a county general purpose levy as a levy for all county purposes, except roads, bridges, and schools. Therefore, the legality of using General Fund monies to pay for officials' corporate surety bonds for the Highway Department is questionable.

RECOMMENDATION

County officials should take immediate action to change the funding procedures and allocate the costs to the appropriate funds.

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OFFICE OF ROAD SUPERVISOR

FINDING 06.05      **PURCHASE ORDERS WERE ISSUED AFTER PURCHASES WERE MADE**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

In several 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

The office should improve purchasing procedures by issuing purchase orders before purchases are made.

**FINDING 06.06      COMPENSATION WAS PAID IN-LIEU-OF INSURANCE BENEFITS FOR TWO EMPLOYEES**  
(Noncompliance Under Government Auditing Standards)

It is the policy of the Highway Commission to provide single health insurance coverage for its employees. If employees desire family coverage, it is their responsibility to pay the additional cost above single coverage. The Highway Commission approved paying additional compensation to employees who choose coverage under a spouse's health insurance plan. This additional compensation (up to \$200 per month) would cover their insurance costs under their spouse's plan, up to the amount the county would have paid for that employee's single health insurance coverage under the county's plan. It should be noted that these payments were channeled through the department's payroll system and applicable federal taxes had been withheld. The state attorney general has opined (Opinion 04-162) that "Counties do not have the authority to make a cash payment to an official or employee who elects not to participate in the county insurance plan."

**RECOMMENDATION**

The Highway Department should not pay employees who choose to be covered under a spouse's health insurance plan, additional compensation to cover their insurance costs under their spouse's plan.

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**FINDING 06.07      A SIGNATURE STAMP WAS USED TO SIGN DOCUMENTS**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office used a signature stamp to affix the road supervisor's signature. Tennessee Code Annotated does not provide authority for the use of a signature stamp.

**RECOMMENDATION**

The office should discontinue the use of the signature stamp.

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**OFFICE OF DIRECTOR OF SCHOOLS**

**FINDING 06.08      THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES**  
(Internal Control – Reportable Condition Under Government Auditing Standards and OMB Circular A-133)

System backups were not stored off site. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process.

## RECOMMENDATION

Weekly backups should be rotated off-site on a weekly basis. Year-end backups should be stored off-site and retained indefinitely. Some possibilities for an off-site storage location would be another county office building with a fireproof vault or a safe deposit box at a local bank.

## MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS (DIRECT QUOTE)

The finding addressed deficiencies in the computer system backup procedures. Effective immediately a weekly backup will be taken to the vault located at Lakewood Elementary School. Backup tapes from previous years will also be kept in the vault. On a rotating basis, up to four weekly backup tapes will be kept in the vault, as well as up to 12 of our month-end backups. The daily backups will continue to be stored in the fireproof filing cabinet in our office.

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## OFFICE OF SHERIFF

Our examination of the Sheriff's Office disclosed numerous irregularities. During the course of this examination we worked with the U.S. Attorney's Office, the Federal Bureau of Investigation (FBI), the Tennessee Bureau of Investigation (TBI), and the Bureau of Alcohol, Tobacco, and Firearms (ATF). The findings of our report have also been reviewed with the district attorney general. Our examination disclosed a cash shortage of \$162,656.91 and numerous deficiencies in the operation of the office. On November 20, 2006, David Bumpus, Henry County Sheriff, Faye Scott, business manager for the Henry County Sheriff's Department, and Jason Ferren, former owner of Elite Firearms, were indicted by a federal grand jury on conspiracy, mail fraud, theft from organization receiving federal funds. Bumpus and Ferren were also indicted for false entries by a licensed dealer of a firearm record.

### FINDING 06.09      **A CASH SHORTAGE OF \$162,656.91 EXISTED IN THE HENRY COUNTY SHERIFF'S DEPARTMENT** (Internal Control – Material Weakness Under Government Auditing Standards)

The Sheriff's Department had a cash shortage of \$162,656.91 on June 30, 2006. This cash shortage consisted of purchases of numerous items that appear to have no apparent use or benefit to the Sheriff's Department, instances of collusion, falsified invoices, and purchases of items for personal use. According to the findings that follow, the process of collusion included falsifying or altering invoices submitted to the county for payment and falsifying purchase requisitions and county inventory records. The sheriff made some items available for inventory purposes. However, due to the falsification of invoices, we were unable to determine a dollar amount to reduce the cash shortage. Also, there did not appear to be any apparent county use for many of the items presented, and the sheriff acknowledged that some items were for his personal use. The following table and subsequent discussions explain in detail each deficiency comprising the cash shortage.

Cash Shortage:

ITEM A.	- Elite Firearms	\$ 103,380.78
ITEM B.	- Twenty-Fourth Judicial District Drug Task Force	4,473.10
ITEM C.	- Iron Brigade Armory	11,142.90
ITEM D.	- Ross and Sons, Inc.	1,100.00
ITEM E.	- Michael McLaurin	569.95
ITEM F.	- The Toggery	250.00
ITEM G.	- Ammunition	2,581.90
ITEM H.	- Handgun Magazine Clips	3,925.35
ITEM I.	- Knives	2,391.44
ITEM J.	- Other Tactical Items	31,092.39
ITEM K.	- Miscellaneous Items	<u>1,749.10</u>
Total Cash Shortage		<u>\$ 162,656.91</u>

ITEM A.      **INVOICES SUBMITTED BY ELITE FIREARMS - \$103,380.78**

Invoices totaling \$103,380.78 were submitted to Henry County by Elite Firearms of Boaz, Kentucky. The items reflected on those invoices are grouped into categories as represented by the following table:

Ammunition (see ITEM G.)	\$ 17,507.50
278 Gun Magazine Clips (see ITEM H.)	6,110.60
Knives	1,203.50
Other Tactical Items	78,559.18
Total	<u>\$ 103,380.78</u>

On four occasions, auditors requested to physically inspect the items invoiced from Elite Firearms; however, of the numerous items reflected on these invoices, only a small number of items were presented to auditors for inspection. The following explanations were given to auditors concerning the purchases and invoices submitted from Elite Firearms:

1. Faye Scott, the Sheriff's Department business manager, advised auditors that invoices submitted by Elite Firearms did not always reflect what was actually obtained. In addition, Ms. Scott stated that Elite Firearms often padded their invoices to build up an account credit for the sheriff's personal use. Although we requested Ms. Scott provide documentation of specific invoices that had been falsified and by what amounts, we were not provided any documentation to allow us to separate what may have been a legitimate purchase from what was falsified, padded, or for personal use.

2. When auditors questioned Sheriff Bumpus about the statements made by Ms. Scott, the sheriff stated that he provided Ms. Scott with cash to give to Jason Ferren, owner of Elite Firearms, to cover his personal purchases of guns and knives. Sheriff Bumpus stated that Ms. Scott and Mr. Ferren worked out the invoicing to the county. On July 11, 2006, auditors provided the sheriff with detailed listings of ammunition, gun magazine clips, and knife purchases as reflected on the invoices submitted by Elite Firearms, and on July 18, 2006, we provided a listing of questioned purchases for other tactical items. On those dates, auditors requested an explanation but, to date, no explanation has been received.
3. On March 14, 2006, auditors interviewed Jason Ferren. During our review of Mr. Ferren's correspondence files, we noted a fax printed on Henry County Sheriff's Department letterhead dated April 28, 2005, from Faye Scott to Jason Ferren. The fax stated "Jason, I've made the changes as indicated." This fax was attached to a copy of an invoice from Elite Firearms, and on the invoice, Ms. Scott had written "Total of \$400.95 in ammo. Please reflect as tactical load vest." The subsequent invoice submitted from Elite Firearms to Henry County reflected \$400.95 as a tactical load vest. However, this purported \$400.95 in ammunition did not come into the departmental inventory and a tactical load vest has not been presented to us for our inspection. We believe this is an example of how Henry County was defrauded through collusion and the submission of falsified invoices.

As a result of the contradictory statements noted above, the failure to produce most of the invoiced items for inspection, and evidence of padded and/or falsified invoices, we have included the total amount of invoices submitted from Elite Firearms (\$103,380.78) as a part of the cash shortage.

**ITEM B. INVOICES SUBMITTED TO THE TWENTY-FOURTH JUDICIAL DISTRICT DRUG TASK FORCE - \$4,473.10**

The Twenty-Fourth Judicial District Drug Task Force is a joint venture formed by an interlocal agreement between the district attorney general, Benton, Carroll, Decatur, Hardin, and Henry Counties. The Henry County Sheriff's Department assigns an officer to work drug cases for the task force. In exchange for the officer's services, any forfeiture ordered by the court on a case that the assigned officer worked would be divided between Henry County and the task force. The county's portion of any forfeiture would be deposited into the county's Drug Control Fund maintained by the Henry County Trustee. As a result of falsified invoices noted in Item A. above, we examined all invoices submitted to the task force by Elite Firearms. We determined the following deficiencies:

1. Three invoices dated December 21, 2004, totaling \$3,662.10 had been paid to Elite Firearms by the Twenty-Fourth Judicial District Drug Task Force; however, Steve Lee, drug task force director, advised auditors that the task force had not received any of the invoiced items.

Mr. Lee stated that he had been holding some forfeited money that was due to Henry County from judgments on various drug cases, and that Faye Scott had asked him to pay the three invoices from Elite Firearms rather than send the money to the county. Upon further inquiry, Faye Scott told us that Jason Ferren of Elite Firearms would sometimes describe a gun or knife as miscellaneous ammunition. We obtained correspondence from Faye Scott to Jason Ferren dated December 20, 2004, that reflected Sheriff Bumpus made a personal purchase of a Springfield Armory, SOCOM 16, Semiautomatic .308 caliber rifle and a Kimber, ProRaptor II, Semiautomatic .45 caliber pistol with a balance owed of \$1,699.90. One of the three invoices paid by the task force reflected a description of "1 misc cases of ammo" for \$1,699.90. We believe that the ammunition listed on the invoice was, in reality, the balance owed for the personal purchase of the two guns for Sheriff Bumpus.

2. The drug task force traded several seized weapons to Craig's Firearms in Knoxville, Tennessee, in exchange for ammunition valued at \$1,622. The drug task force director, Steve Lee, stated that one-half of this ammunition (\$811) was given to Faye Scott for use by the Henry County Sheriff's Department. The officer at the Henry County Sheriff's Department who was responsible for ordering and maintaining the department's ammunition inventory advised auditors that the Sheriff's Department never received this ammunition from Craig's Firearms which was given to Faye Scott.

Since these monies held by the task force were due to Henry County and were expended on items not received by the task force or Henry County, we have included \$3,662.10 as a part of the cash shortage. Also, an additional cash shortage of \$811 exists for the ammunition that Henry County did not receive. Therefore the total cash shortage from transactions associated with the Twenty-Fourth Judicial District Drug Task Force totaled \$4,473.10.

**ITEM C. INVOICES SUBMITTED BY IRON BRIGADE ARMORY - \$11,142.90**

Three invoices were submitted by Iron Brigade Armory of Jacksonville, North Carolina, and paid by Henry County. Iron Brigade Armory specializes in custom-made tactical precision rifles. These invoices reflected the following information:

<u>Item Description</u>	<u>Invoice Date</u>	<u>Amount</u>
Tactical Precision Rifle with Accessories, Leopold Scope, Miscellaneous Cleaning Gear	7-2-03	\$ 4,400.00
Tactical Precision Rifle with Accessories	12-31-03	4,862.00
Ammunition, Rifle Maintenance, Cleaning Patches, Scope Repair, Scope Upgrade	6-10-05	<u>1,880.90</u>
Total		<u>\$ 11,142.90</u>

We determined the following deficiencies:

1. Auditors were not presented with these custom-made tactical precision rifles and noted accessories at any of the four times that an inventory was conducted. Faye Scott advised auditors that the Sheriff's Department had a credit of \$9,720.95 in their account at Iron Brigade Armory because the rifles had not yet been manufactured. Auditors contacted Norm Chandler, III, Vice-President of Iron Brigade Armory, who provided information that enabled us to determine that the county had an original credit of \$11,142.90 from the payment of the three above-noted invoices. Against this credit, there were unidentified charges of \$1,421.95 leaving a credit balance of \$9,720.95 as of April 25, 2006. On that same date, County Mayor Brent Greer requested that Iron Brigade Armory refund this credit to Henry County; however, as of the date of this report the company has not refunded these funds.
  
2. Faye Scott falsified the Sheriff's Department inventory records submitted to the County Mayor's Office. Auditors noted that a tactical precision rifle was listed on the inventory that contained the same information as one of the invoices from Iron Brigade Armory. The inventory also reflected a serial number even though Ms. Scott has acknowledged and Norm Chandler, III, has confirmed that the rifle has not yet been manufactured.

Since the county had unidentified charges and has not obtained a refund of the credit paid from these invoices for items that were not received, we have included the total payments (\$11,142.90) to Iron Brigade Armory as a part of the cash shortage.

**ITEM D. INVOICES SUBMITTED BY ROSS AND SONS, INC. - \$1,100**

Two invoices totaling \$1,100 were submitted by Ross and Sons, Inc., of Martin, Tennessee, and paid by Henry County. The invoices reflected the following information:

<u>Invoiced Items</u>	<u>Date of Invoice</u>	<u>Amount</u>
Storage Cabinet	6-28-04	\$ 730
Chair	7-6-04	<u>370</u>
Total		<u>\$ 1,100</u>

We determined the following information:

1. Faye Scott advised auditors that the two invoices were falsified to conceal the purchase of two gun safes. Ms. Scott further stated that she had requested Ross and Sons, Inc., to falsify the description of the

actual items purchased at the request of Sheriff Bumpus. On March 8, 2006, auditors contacted Steve Ross, at Ross and Sons, Inc., who stated that the gun safes had never been delivered. On June 14, 2006, Sheriff Bumpus advised auditors that the Sheriff's Department had not taken delivery of the gun safes because there was no room for them at the Sheriff's Department. He further stated that he was not aware that the descriptions on the invoices were falsified to reflect the gun safes as a storage cabinet and chair.

2. Faye Scott falsified the Sheriff's Department inventory records submitted to the County Mayor's Office. Auditors noted that a storage cabinet, which did not exist, was falsely listed on the inventory with the same information as noted on the invoice from Ross and Sons, Inc. The inventory also reflected a county asset tag number for the cabinet.

Since the county had paid for items that were not received, we have reflected the total payments (\$1,100) to Ross and Sons, Inc., as a part of the cash shortage.

**ITEM E. INVOICE SUBMITTED BY MICHAEL McLAURIN - \$569.95**

On July 21, 2005, Henry County paid an invoice totaling \$569.95 submitted by Michael McLaurin of Siler City, North Carolina. The invoice reflected the following information:

<u>Description</u>	<u>Amount</u>
Various Training Equipment for Departmental Patrol/Corrections Usage	\$ 350.00
Peak Solutions Lights	159.95
Spannerbaby Tool	<u>60.00</u>
 Total	 <u><u>\$ 569.95</u></u>

On March 30, 2006, auditors seized three county computers and imaged the hard drives. From these images, we could read all email correspondence that had been sent or received on those computers. We determined the following information:

1. An email dated July 19, 2005, between Sheriff Bumpus and Michael McLaurin reflected that Mr. McLaurin acknowledged this order as including two knives valued at \$175 each for a total of \$350. Mr. Bumpus wrote to Mr. McLaurin that he was forwarding the order to Faye Scott "so she can get with you on how she'll need the invoice and such." Subsequently, an invoice was forwarded from Michael McLaurin to the Henry County Mayor's Office that falsely described the two knives as "Various Training Equipment for departmental patrol/corrections usage."

2. Auditors interviewed every deputy who worked for the Sheriff's Department concerning knife purchases. Only one deputy admitted to receiving a knife that had been purchased by the Sheriff's Department. That particular knife and the knives that Sheriff Bumpus had in his possession were presented to us for examination. However, none of the knives presented were the two knives ordered from Michael McLaurin.
3. When auditors questioned Sheriff Bumpus about these items, he stated that he provided Ms. Scott with cash to pay for this personal purchase.

Since this invoice was falsified, the items have not been presented to us for inspection, and Sheriff Bumpus admitted that this purchase was for personal use, we have reflected the payment (\$569.95) to Michael McLaurin as a part of the cash shortage.

**ITEM F.            ALTERATION OF AN INVOICE FROM THE TOGGERY- \$250**

An invoice for \$250 submitted by The Toggery of Paris, Tennessee, had been altered. It is the policy of the Sheriff's Department to provide certain employees a maximum annual uniform allowance of \$250. These funds can be paid directly to the individual officer if the officer submits a request for reimbursement along with proper supporting documentation or the funds can be paid to a vendor if that vendor allowed the officer to charge the purchase with their company. On December 4, 2004, two separate purchases for suits were made from The Toggery. The first invoice (#8038) totaled \$277 and was submitted with a request for reimbursement to Sheriff Bumpus for \$250. On December 21, 2004, the county reimbursed the sheriff. The second invoice (#8039) totaled \$259 and was submitted with a request for payment to The Toggery of \$250. On December 30, 2004, the county made this payment.

During our examination, we determined that the second request (invoice #8039) for payment had been altered to reflect that the purchase was for officer Thomas Tharpe, a deputy with the Sheriff's Department who is assigned to the Twenty-Fourth Judicial District Drug Task Force, when in reality the purchase was for Sheriff Bumpus. Faye Scott falsified the request for payment and altered the corresponding invoice submitted. Also, the request for payment reflected the signature stamp of Sheriff Bumpus as the authorizing signature. Thomas Tharpe advised auditors that he had "never bought or received a suit from The Toggery." On June 14, 2006, Sheriff Bumpus acknowledged that both of the suits purchased on December 4, 2004, from The Toggery were his. He also stated that he was not aware of the altered invoice or the falsified request for payment.

This purchase violated the Sheriff's Department annual uniform allowance policy of \$250 per employee, the invoice was altered, and because Sheriff

Bumpus admitted that both suits were his, we have therefore reflected the \$250 reimbursement to Sheriff Bumpus as a part of the cash shortage.

**ITEM G. UNACCOUNTED AMMUNITION PURCHASES - \$2,581.90**

Purchases of ammunition totaling \$2,581.90 were not processed through the department's inventory system or had otherwise been accounted for. The Sheriff's Department criminal investigations director was in charge of placing orders for ammunition for the department, storing the ammunition, and dispensing the ammunition. We reviewed the invoices from a variety of vendors and compiled a listing of ammunition purchased totaling \$23,629.39. The records maintained by the officer in charge of ammunition reflected \$3,539.99 in ammunition purchases that appeared to be properly accounted, leaving \$20,089.40 (\$17,507.50 presented in ITEM A.) in ammunition purchases that were not processed through the department's inventory system and thus not for the benefit of Henry County. We determined that a small amount of this ammunition purchased had been presented to us for examination at one of the four times that we attempted to observe inventory. Some of the ammunition presented was located in the sheriff's private office bathroom, and the remainder was located in a shed on property that was being personally rented by Sheriff Bumpus. Because of the nature of ammunition, we were not able to determine from which vendor the ammunition presented was purchased or if the county actually purchased the ammunition presented. Furthermore, since we were unable to make this determination, we could not ascertain a cost of the ammunition that was presented; and therefore, we were not able to assign a dollar value to it. On July 11, 2006, we provided Sheriff Bumpus with a listing of ammunition purchases, the corresponding invoices, and requested an explanation; however, to date no explanation has been received.

Since these ammunition purchases were not processed through the department's officer in charge of ammunition or otherwise accounted for, we have reflected \$2,581.90 as a part of the cash shortage. The following table reflects the calculation of this cash shortage:

Purchases per vendor invoices	\$ 23,629.39
Less: fraudulent invoices noted in ITEM A.	(17,507.50)
Less: ammo properly accounted for	<u>(3,539.99)</u>
Total cash shortage from unaccounted ammo	<u><u>\$ 2,581.90</u></u>

**ITEM H. UNACCOUNTED PURCHASES OF HANDGUN MAGAZINE CLIPS - \$3,925.39**

We reviewed the invoices from a variety of vendors and compiled a listing of 97 handgun magazine clips purchased totaling \$3,925.35 (these handgun clips are in addition to the 278 gun clips noted in Item A.). We determined that a small amount of handgun magazine clips had been presented to us for

examination at one of the four times that we attempted to observe inventory. The handgun magazine clips presented to us were not located on county property but were in a shed on property that was being personally rented by Sheriff Bumpus or brought from the sheriff's home to the Sheriff's Department in plastic bags. Because of the nature of handgun magazine clips, we are not able to determine from which vendor the handgun magazine clips presented were purchased or if the county actually purchased the handgun magazine clips presented. Furthermore, since we were not able to make this determination, we could not ascertain a cost of the clips that were presented; and therefore, we were not able to assign a dollar value to them. We interviewed all 25 officers employed by the Sheriff's Department, and each officer stated that they were responsible for their own firearm. The officers stated they had never received a handgun magazine clip purchased by the county. On July 11, 2006, we provided Sheriff Bumpus a listing of all handgun magazine clip purchases, the corresponding invoices, and requested an explanation; however, to date no explanation has been received.

Based on the facts that the Sheriff's Department did not properly account for the purchases of handgun magazine clips, the excessive quantity of clips that were purchased, and based on statements from the 25 officers interviewed, we have reflected \$3,925.35 as a part of the cash shortage.

**ITEM I. UNACCOUNTED PURCHASES OF KNIVES - \$2,391.44**

We reviewed the invoices from a variety of vendors, other than those previously detailed, and compiled a listing of knife purchases totaling \$2,800.44. We then interviewed every deputy who works for the Sheriff's Department, and only one deputy admitted to having a knife that had been purchased by the Sheriff's Department. That deputy's knife, along with additional knives the sheriff had in his possession, was presented to us to examine. These knives were traced to the invoices reviewed, and a total cost of \$409 has been determined to be the value of the knives presented to us for examination. On July 11, 2006, we provided Sheriff Bumpus a listing of the remaining knives purchased, the corresponding invoices, and requested an explanation; however, to date no explanation has been received.

Since these remaining knife purchases were not accounted for and only one officer admitted to having received a knife purchased by the department, we have reflected \$2,391.44 as a part of the cash shortage.

**ITEM J. UNACCOUNTED PURCHASES OF OTHER TACTICAL ITEMS - \$31,092.39**

As used by the Sheriff's Department, the term "other tactical items" is a description that includes tactical items, gunsmithing tools, various paraphernalia for weapons, and survival gear. We reviewed the invoices of a variety of vendors, other than those previously detailed, and compiled a listing of other tactical items purchased totaling \$35,716.28. Of these items, we determined that a small amount (\$4,623.89) had been presented to us for

examination at one of the four times that we made such a request. On July 18, 2006, we provided Sheriff Bumpus a listing of other tactical items purchased that had not been inventoried, the corresponding invoices, and requested an explanation; however, to date no explanation has been received.

Since these remaining other tactical item purchases were not accounted, we have reflected \$31,092.39 as part of the cash shortage.

**ITEM K. PERSONAL PURCHASES OF MISCELLANEOUS ITEMS - \$1,749.10**

We reviewed the invoices from a variety of vendors, other than those previously detailed, and compiled the following items. The purchase requisitions for these items that were submitted to the County Mayor's Office reflected the sheriff's signature stamp as the authorizing signature unless otherwise noted.

Reimbursements to David L. Bumpus	\$ 422.85
Reimbursements to Faye C. Scott	763.46
Precision Shooting Magazine Subscription	74.00
Books from Accurate Rifle Magazine	197.70
Butler and Harber	176.40
Office Depot	7.80
Fed Ex	37.01
The UPS Store	<u>69.88</u>
Total Personal Purchases of Miscellaneous Items	<u><u>\$ 1,749.10</u></u>

The details of each item follow:

1. Reimbursements totaling \$422.85 were made to Sheriff Bumpus for the purchase of a bug suit, hat, pruning kit, safety glasses, spotlight, and sporting goods.
2. Reimbursements totaling \$763.46 were made to business director Faye Scott for the purchase of pistol grips and various military surplus type items.
3. A payment of \$74 was made for a subscription to Precision Shooting Magazine. This subscription was not mailed to a county address. We determined that the post office box that received this subscription was in the name of David L. Bumpus.
4. Nine books totaling \$197.70 were purchased from Accurate Rifle Magazine. The books were about sniper shooting, other subjects, and were titled as follows: Elmer Keith: The Other Side of a Western Legend; Unrepentant Sinner: Col. Charles Askins; Precision Shooting at 1,000 Yards; Precision Shooting with M1 Garand; Black Magic, the AR-15; Complete Guide to AR-15; Military and Police Sniping; and two copies of Snipercraft.

5. The sheriff purchased a pair of shoes for \$176.40 from Butler and Harber and charged them to Henry County. However, since the sheriff had already exceeded his \$250 annual uniform clothing allowance, he was not eligible to be reimbursed for this purchase.
6. House planning and furnishing templates totaling \$7.80 were purchased at Office Depot.
7. We examined invoices totaling \$37.01 for payment of charges for shipping by Fed Ex. Two separate charges were noted for sending shipments to two separate individuals. We determined that these shipments were payments for the personal purchase of guns by Sheriff Bumpus.
8. We examined invoices totaling \$46.54 for payment of shipping charges by The UPS Store. Two separate charges were noted for shipments to two separate individuals. We determined that these shipments were payments for the personal purchases of knives by Sheriff Bumpus. One additional payment of \$23.34 was noted for sending a shipment to an individual. We determined that this shipment was payment for the personal purchase of a knife by Sheriff Bumpus. The purchase requisition submitted to the County Mayor's Office for this purchase included the sheriff's actual signature as the authorizing signature.

Since these purchases of miscellaneous items appear to be of a personal nature, we have reflected \$1,749.10 as a part of the cash shortage.

#### RECOMMENDATION

County officials should seek restitution for the \$162,656.91 cash shortage. Furthermore, Henry County should implement internal controls to ensure that duties are segregated, all disbursements are proper and for official county business, inventories are accounted, and records are not altered. Management should issue purchase requisitions prior to ordering the items.

#### MANAGEMENT'S RESPONSE – FAYE SCOTT, BUSINESS DIRECTOR (DIRECT QUOTE)

On August 7, 2006, my health conditions necessitated going on full medical leave which resulted with that being my last day at the Henry County Sheriff's Office. It is my understanding from other sources that some items were returned prior to September 1, 2006, which may result in the amount quoted being reduced somewhat. However, I have no knowledge of how much impact that would have on the amount quoted or of those items that were returned to the Henry County Sheriff's Office.

#### ITEM A.

1. On every purchase, the invoices from Elite Firearms were prepared by Jason Ferren, owner of the business at that time. Mr. Ferren, with his acknowledged background in military/tactical equipment, provided the descriptions for items. Due to the manner in which the descriptions were listed and the limited access to some of the paperwork involved, it was not possible at the time of this audit for me to make the connections of invoices to transactions as requested. Subsequent to the date of these findings, I have cooperated fully with both the Federal Bureau of Investigation and the Tennessee Bureau of Investigation regarding these invoices.
2. On very rare occasions did Sheriff Bumpus provide personal funds directly to me for purchases. Only when he had to leave the immediate premises was I ever handed funds, either check or cash, to complete some of the transactions being paid for with private funds, and this was only after the discussion on various item(s) had been concluded with Mr. Ferren. I have very limited knowledge of tactical, firearms, etc., and therefore most of the discussions that took place were far above my range of knowledge. To the best of my knowledge, there were a few invoices reflecting where Sheriff Bumpus paid cash for items, but I do not have access to any of those records.
3. The return fax to Elite Firearms for \$400.95 was in response to my instructions to provide the necessary information to Mr. Ferren. Tactical vests did come into the agency on other occasions during other transactions.

#### ITEM B.

1. Mr. Steve Lee, director of the Twenty-Fourth Judicial Task Force, had advised that Henry County had on deposit with the Task Force a total of \$3,662.10 which either could be utilized in the form of purchases for use in the drug control efforts made by the Henry County Sheriff's Office or could be returned to the county for deposit into the Drug Control Fund. Sheriff Bumpus advised that he wished to use the funds to purchase items for the agency and forward the invoices to the Judicial Task Force for payment. Director Lee was advised, and the course of action was approved. On the invoice in question, I do not recall the exact weapons discussed by Mr. Ferrin with Sheriff Bumpus, but there was a discussion of ammunition for use by officers assigned to work drug cases by those individuals along with the discussion of various weapons. I was advised on numerous occasions that purchases were being made in order to evaluate what would work best for the agency as well as for training purposes, and that all items would be distributed for use by the officers. On a few occasions, equipment and supply items were provided to corrections and patrol.
2. I was contacted by Director Lee regarding a credit the Drug Task Force had on deposit with Craig's Firearms in Knoxville, Tennessee. Director Lee indicated that he did not wish to lose this credit, and if Sheriff Bumpus wished to purchase any items handled by this vendor to advise him of the same. Sheriff Bumpus instructed that \$811 in ammunition be ordered for the Henry County Sheriff's Office at the same time Director Lee placed the balance of the order for the Drug Task Force. The ammunition was delivered to the Henry County Sheriff's Office, being off-loaded at the back entrance. I have no knowledge of the disbursement or location of the ammunition after shipment was made.

ITEM C.

1. Information had been relayed from Iron Brigade Armory of the credit on deposit in the amount of \$9,720.95. During that same conversation, I was advised that any order Henry County Sheriff's Office had made was on hold because they (Iron Brigade) were involved in manufacturing items for the federal agencies. Due to my medical leave, I have no knowledge if the request for the refund from Iron Brigade has been made nor if the funds have been received by the county.
2. I disagree. The inventory information was provided to me by Sheriff Bumpus after my repeated requests for the documentation to place the items on the fixed inventory listing. The information submitted on the inventory records was based upon the information provided to me which included description and serial number.

ITEM D.

1. Upon further recall of the records, the auditors were advised that the storage cabinets did include funds for the purchase of 4 to 5 aluminum storage cabinets such as those in use at the agency for issuance to corrections. Sheriff Bumpus had full knowledge of these cabinets, and on numerous occasions was reminded that they awaited delivery. I was even contacted by Mr. Ross regarding delivery and was advised by Sheriff Bumpus to ask him not to make delivery on a specific day in question. I had been advised that the gun cabinets in question would be located in the large hallway in the building for use in storage of all tactical equipment as well as firearms and that limited restrictions would be in place for access to this equipment. The cabinets were not delivered as of my last date of work prior to being placed on full medical leave. I have no first-hand knowledge of the current status but have been advised by others that none of the cabinets have been delivered.
2. The policy of the fixed assets provides for an inventory sheet to be submitted before payment will be issued by the county. The information provided was submitted based on the instructions I received in order to provide payment to Ross and Son. I was also advised that the first cabinet would be obtained shortly after payment was issued, and I continued to inquire as to the status of the delivery on numerous occasions. I was advised each time that the necessary arrangements would be made shortly in order for the first delivery to be made.

ITEM E.

1. Sheriff Bumpus had made contact with Michael McLaurin via the internet and later by telephone conversations. I was advised by Sheriff Bumpus that Mr. McLaurin had not done business with a county before, and that training items were being purchased for evaluation and use by the agency. I did discuss the invoicing with Mr. McLaurin and reference was made as to the use of these items in the training of an entry/tactical team as well as by corrections as discussed with me by Sheriff Bumpus. The invoice description was a result of the instructions provided to me.
2. I concur with the issuance of the knife to one officer due to the fact that I was the person who presented it to the officer pursuant to instructions from Sheriff Bumpus. I have no knowledge of what was presented by Sheriff Bumpus for examination.

3. I disagree. This statement is incorrect. I was instructed by Sheriff Bumpus, as evidenced by the email previously mentioned, to discuss the billing for the purchase with Mr. McLaurin, which I did. The Federal Bureau of Investigation presently has possession of several books of notations and instructions which I received on a daily basis, including those from Sheriff Bumpus.

#### ITEM F.

Both purchases were made by Sheriff Bumpus, and I was advised to go by and pick up the tickets from the vendor, which I did. Sheriff Bumpus advised that one invoice reflect different information since he was purchasing two suits and his instructions were followed.

#### ITEM G.

Ammunition was ordered on numerous occasions pursuant to instructions from Sheriff Bumpus, as is reflected in notes that were kept during this time. Each shipment was received, but I have no knowledge of how the ammunition was used or how much was used or if it was stored.

#### ITEM H.

During numerous discussions, Sheriff Bumpus advised that he planned to standardize the agency by issuing department handguns to each officer; therefore, numerous magazine clips would be required. Several requests were made inquiring as to the issuance and evaluation process with no positive response being received during our discussions. The only gun magazines that I have direct knowledge of issuance were the ones issued for the AR-15 rifles provided to patrol officers.

#### ITEM I.

I concur with the statement regarding the issuance of one knife to an officer. However, I have no direct knowledge of what was presented for review nor of the list provided to Sheriff Bumpus.

#### ITEM J.

On numerous occasions, various tactical items were purchased that were to be issued to the officers. I made mention of this repeatedly and was advised that such things as flashlights, etc., would be given to the officers. However, to the best of my recollection, only a few things were distributed such as gloves, some rifle accessories, etc. I have no knowledge of the list provided to Sheriff Bumpus nor of what items are now in the county's possession.

#### ITEM K.

1. The reimbursement submitted was based on information provided by Sheriff Bumpus. In each instance, the use of the signature stamp was based upon his instruction to do so.
2. The reimbursement made to me was for the items noted which included patches to be used as insignia on the entry uniforms, tactical vests, etc., to be issued to

departmental officers. The purchase was charged to my personal credit card and reimbursement was requested pursuant to authorization from Sheriff Bumpus.

3. Sheriff Bumpus had authorized the subscription to this publication with the explanation that it would be used in teaching and instruction for the agency. The publication was routed to another post office box so that only Sheriff Bumpus or someone he designated would have access to this publication.
4. I have no knowledge of the location of these publications. I had been advised that a reference library was going to be started for use by employees only, and that they would also be used in teaching.
5. I concur. The request was submitted as was instructed.
6. The templates purchased were for use in tactical/sniper operations. I was informed that they would be an important part of sketching out a tactical operation as well as use in reconstruction of a crime scene.
7. I concur. However, other items were included in these shipments as well such as letters containing contact information and business cards.
8. I concur. The same information applies as reflected in item 7.

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**FINDING 06.10      WE WERE UNABLE TO DETERMINE IF ALL ASSAULT RIFLES WERE ACCOUNTED FOR**  
(Internal Control – Material Weakness Under Government Auditing Standards)

On December 18, 2001, a court order was obtained by Sheriff David L. Bumpus through the Circuit Court of Henry County providing for the exchange of confiscated firearms for seven assault rifles valued at \$5,950. This court order authorized the exchange of weapons with Elite Firearms in Kentucky and the Henry County Sheriff's Department. Also, additional assault rifles were purportedly obtained by the Sheriff's Department in June 2002 and May 2003 from Elite Firearms. The following deficiencies were noted in these transactions:

- A. When auditors obtained the court's file containing the court order, Exhibit A was missing. According to the court order, Exhibit A described and identified the confiscated weapons the Sheriff's Department would exchange with Elite Firearms. We contacted the circuit court clerk, the circuit judge's secretary, and the district attorney's office in our effort to locate a copy of Exhibit A; however, we were unable to obtain a copy of the document. Records obtained from Elite Firearms indicated that 131 weapons were received from the Sheriff's Department. In the absence of an official copy of Exhibit A, we are unable to determine what weapons had been approved by the court for exchange with Elite Firearms.

- B. There was no documentation noted to ascertain whether Henry County received fair market value in the exchange for the 131 weapons with Elite Firearms.
- C. An invoice totaling \$3,460 dated June 21, 2002, submitted to Henry County for payment to Elite Firearms reflected that four assault rifles were invoiced to the county. However, the invoice did not contain serial numbers; therefore, we were unable to determine if we inspected these specific assault rifles during our inventory of the Sheriff's Department. Gun records obtained from Elite Firearms did not reflect that any rifles were sold to the Sheriff's Department on or about this time.
- D. Gun records from Elite Firearms also reflected that an assault rifle was sold to Henry County on May 7, 2003. County records did not reflect an invoice or payment to Elite Firearms for this weapon.

With these deficiencies and those noted in Finding 06.01 (Item A.), we were unable to determine if the office accounted for all county assault rifles.

#### RECOMMENDATION

Sheriff's Department records should accurately account for all department weapons from purchase or confiscation to disposition.

#### MANAGEMENT'S RESPONSE – FAYE SCOTT, BUSINESS DIRECTOR (DIRECT QUOTE)

I have no knowledge of why the documentation is not on file at any of the mentioned offices. Mr. Steve Garrett was responsible for getting the order signed by Judge Julian Guinn. The auditors were provided with a check list of the weapons that left the Henry County Sheriff's Office as well as those checked in at Elite Firearms and both were identical. The weapons exchanged had been in the possession of the department for many years and in many cases were unsafe or did not function properly. All transactions were approved by Judge Guinn only after substantial discussion and documentation including a specific number of assault rifles to be provided in exchange. The assault rifles in question did return to Henry County on the same day. I have no knowledge of an assault rifle being sold to Henry County on May 7, 2003.

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#### FINDING 06.11      **RECORDS WERE FALSIFIED IN THE PURCHASE OF NIGHT VISION MONOCULARS** (Internal Control – Material Weakness Under Government Auditing Standards)

Two invoices totaling \$9,405 were submitted from GG&G, Inc., of Tuscon, Arizona, for the

purchase of night vision monoculars. These invoices were paid by Henry County and reflected the following information:

<u>Item Description</u>	<u>Serial Number</u>	<u>Invoice Date</u>	<u>Amount</u>
Night Vision Monocular	RS15026	2-15-05	\$ 4,702.50
Night Vision Monocular	RS15014	3-11-05	<u>4,702.50</u>
Total			<u><u>\$ 9,405.00</u></u>

We determined the following deficiencies:

- A. We examined this item on the vendor's website and determined that the monoculars were selling for approximately \$3,100 each. Therefore, the amount paid by the county for the two invoices were enough, in total, to actually cover the purchase of three monoculars. On February 21, 2006, at our request, GG&G, Inc., faxed us a copy of the two invoices that had been submitted to the County Mayor's Office. These faxed copies did not include the serial numbers of the monoculars that had been shipped; however, serial numbers of two monoculars were reflected on the invoices that had been submitted to the county for payment. On March 3, 2006, Faye Scott stated that the order with GG&G, Inc., had, in fact, been for three night vision monoculars, and that she had requested the vendor falsify the invoices at the request of the sheriff so that only two monoculars were reflected. Ms. Scott advised that the third monocular was for Sheriff Bumpus' personal use. She stated that she believed that the sheriff intended to return the monocular to the Sheriff's Department before he left office. On March 30, 2006, GG&G, Inc.'s, legal counsel furnished us with the serial number of the third night vision monocular (RS15027), which has since been presented to us for inspection and included on the inventory.
- B. The purchase requisitions that accompanied the above-noted invoices had been falsified to reflect only two monoculars. Both these requests reflected the signature stamp of Sheriff Bumpus as the authorizing signature.
- C. Faye Scott falsified the inventory records submitted to the County Mayor's Office by listing only the two monoculars invoiced.

Since the third night vision monocular has been presented for inventory purposes, we have not reflected the purchase of night vision monoculars from GG&G, Inc., as a part of the cash shortage.

RECOMMENDATION

Invoices submitted to the county for payment should accurately reflect the Sheriff's Department purchases and include the serial numbers of the items purchased. Requisitions should not be signed by the use of a signature stamp. Inventory records should accurately reflect department equipment and be periodically verified by someone

independent of maintaining the inventory records. The failure to maintain accurate inventory records results in a loss of control over assets.

MANAGEMENT'S RESPONSE – FAYE SCOTT, BUSINESS DIRECTOR (DIRECT QUOTE)

Sheriff Bumpus had instructed that three monoculars be ordered from the vendor, and that the agency be billed for two. I provided documentation to the vendor in the very early stages indicating that I knew that three monoculars were going to be received, said documentation being provided to auditors. Only two were received initially because of a problem with the manufacture of the third piece of equipment. I provided documentation regarding the serial numbers that I had in my possession – no further information was provided after the third one finally passed inspection. The invoicing submitted was done as instructed by Sheriff Bumpus as well as the information on the inventory records. It is my understanding that all three are now in the possession of the agency.

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FINDING 06.12      **REQUISITIONS WERE ISSUED AFTER THE INVOICES WERE RECEIVED AND THE SHERIFF'S DEPARTMENT USED A SIGNATURE STAMP TO AFFIX THE SHERIFF'S NAME TO DOCUMENTS**

(Internal Control – Reportable Condition Under Government Auditing Standards)

Several purchase requisitions created by the Sheriff's Department reflected the same information noted on the invoices, leading one to assume the requisitions were prepared after the invoices had been received. Also, several purchase requisitions reflected the signature stamp of Sheriff Bumpus as the authorizing signature. Tennessee Code Annotated does not provide authority for the use of a signature stamp. The submission of the purchase requisitions and the invoices to the County Mayor's Office for payment led the Mayor's Office to believe the items had been received when in fact the items had not been received. The sheriff discontinued the use of the signature stamp when auditors brought this to his attention.

RECOMMENDATION

Purchase requisitions should be issued prior to the issuance of purchase orders, the actual purchase, and the invoice.

MANAGEMENT'S RESPONSE – FAYE SCOTT, BUSINESS DIRECTOR (DIRECT QUOTE)

It has been common practice for all offices in most cases to prepare requisitions after the purchase since the county did not operate under centralized purchasing. The signature stamp was used only upon authorization of Sheriff Bumpus and was used for letters and other correspondence as well. This practice did stop when it was discussed with Sheriff Bumpus during a prior conference.

## **OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 06.13**      **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, REGISTER, 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, Circuit and General Sessions Courts Clerk, Register, and Sheriff. In the Office of County Clerk, one employee who was responsible for maintaining accounting records was also involved in receipting funds and reconciling the bank accounts. In the Office of Sheriff, one employee was responsible for receipting, depositing, and disbursing funds as well as reconciling bank statements. In other offices, the officials and employees responsible for maintaining the accounting records were also involved in receipting, reconciling bank statements, preparing daily reconciliations of cash receipts, and/or preparing bank deposits. We realize that due to limited resources and personnel, management may not be able to properly segregate duties among employees in these offices, with the exception of the Office of County Clerk. However, our professional standards require that we bring this matter to the reader's attention in this report. There are seven individuals employed in the County Clerk's office. The employee responsible for maintaining accounting records generally performs every accounting and reconciling function, except taking funds to the depository, in addition to waiting on customers. It would appear that sufficient staffing exists in the office to allow other employees to perform some accounting or reconciling duties.

### **RECOMMENDATION**

To strengthen internal controls over operations, the county clerk should adequately segregate duties among employees.

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**FINDING 06.14**      **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

County officials had not adopted a central system of accounting, budgeting, and purchasing. Establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes.

### **RECOMMENDATION**

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

**PART III, FINDINGS AND QUESTIONED  
COSTS FOR FEDERAL AWARDS  
For the Year Ended June 30, 2006**

Federal/Pass-through Agencies	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Agriculture: Passed-through State Department of Education: Child Nutrition Cluster:	06.15		Circular A-133, Section 500 (c) (3)	Reportable Condition in Internal Control See Finding 06.08 - The Office of Director of Schools had deficiencies in computer system back-up procedures	\$ 0
School Breakfast Program		10.553			
School Lunch Program		10.555			
U.S. Department of Education: Passed-through State Department of Education:					
Title I Grants to Local Educational Agencies		84.010			
Special Education Cluster:					
Special Education - Grants to States		84.027			
Special Education - Preschool Grants		84.173			

**HENRY COUNTY, TENNESSEE  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2006**

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

**Director of Schools – Corrective Action Plan for Current Year Finding**

**Findings 06.08 and 06.15**

Contact Person: Richard Kriesky, Director of Schools

Corrective action planned: In order to correct deficiencies in our computer system back-up procedures we will take a weekly back-up tape to an off-site vault at Lakewood School. We will also keep previous year's back-up tapes in this vault. On a rotating basis, up to four weekly back-up tapes will be kept in the vault, as well as up to 12 of our month-end back-ups. Daily back-ups will be stored in a fireproof filing cabinet at the director of schools office.

Anticipated completion date: 2006-07