

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

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

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## HENDERSON COUNTY, TENNESSEE

### TABLE OF CONTENTS

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	Exhibit	Page(s)
Audit Highlights		1-2
<u>INTRODUCTORY SECTION</u>		3
Henderson County Officials		5
<u>FINANCIAL SECTION</u>		7
Independent Auditor's Report		9-10
<b>BASIC FINANCIAL STATEMENTS:</b>		11
Government-wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14-15
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	16
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	17
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	19
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	D	20
Notes to the Financial Statements		21-54
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>		55
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	E-1	57-59
Highway/Public Works Fund	E-2	60
Notes to the Required Supplementary Information		61
<b>COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:</b>		63
Nonmajor Governmental Funds:		65-66
Combining Balance Sheet	F-1	67
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	68

	Exhibit	Page(s)
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
Solid Waste/Sanitation Fund	F-3	69
Drug Control Fund	F-4	70
Rural Debt Service Fund	F-5	71
Major Governmental Fund:		73
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	G	75
Fiduciary Funds:		77
Combining Statement of Fiduciary Assets and Liabilities	H-1	79
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	H-2	80
Component Unit:		
Discretely Presented Henderson County School Department:		81
Statement of Activities	I-1	83
Balance Sheet – Governmental Funds	I-2	84
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	I-3	85
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	I-4	86
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	I-5	87
Combining Balance Sheet – Nonmajor Governmental Funds	I-6	88
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	I-7	89
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	I-8	90-91
School Federal Projects Fund	I-9	92
School Transportation Fund	I-10	93
Miscellaneous Schedules:		95
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds – Primary Government and Discretely Presented Henderson County School Department	J-1	97-98
Schedule of Bond and Interest Requirements by Year	J-2	99
Schedule of Transfers – Discretely Presented Henderson County School Department	J-3	100
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Henderson County School Department	J-4	101
Schedule of Detailed Revenues – All Governmental Fund Types	J-5	102-105

	Exhibit	Page(s)
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Henderson County School Department	J-6	106-107
Schedule of Detailed Expenditures – All Governmental Fund Types	J-7	108-126
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Henderson County School Department	J-8	127-137
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balances – City Agency Funds	J-9	138
 <u>SINGLE AUDIT SECTION</u>		 139
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 <u>Government Auditing Standards</u>		141-142
Auditor’s Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>		143-144
Other Auditor’s Report on Henderson County Emergency Communications District: Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>		145-146
Schedule of Expenditures of Federal Awards and State Grants		147-148
Schedule of Audit Findings Not Corrected		149-150
Schedule of Findings and Questioned Costs		151-157
Auditee Reporting Responsibilities		159

# ***Audit Highlights***

Annual Financial Report  
Henderson County, Tennessee  
For the Year Ended June 30, 2006

## ***Scope***

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

## ***Results***

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

Our audit resulted in 11 findings and recommendations, which we have reviewed with Henderson County management. Detailed findings and recommendations are included in the Single Audit Section of this report.

## ***Findings***

The following are summaries of the audit findings:

### **OFFICE OF FINANCE DIRECTOR**

- ◆ Expenditures and encumbrances exceeded appropriations approved by the County Commission at the major category level of control (legal level of control) in the General and General Purpose School Funds.
- ◆ In a prior audit period, the former Henderson County sheriff agreed to reimburse the county for his overpaid salary, and a former employee of the Henderson County Mayor's Office agreed to reimburse the county for improper payments for unused vacation and sick leave. Both the sheriff and the county mayor's employee were delinquent in their payments by \$473.92 and \$1,541.89, respectively.
- ◆ The office did not issue purchase orders for some applicable purchases, and in some instances, the office issued purchase orders after purchases were made.

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### **OFFICE OF ROAD SUPERVISOR**

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

## **OFFICE OF COUNTY CLERK**

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

## **OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

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

## **OFFICE OF CLERK AND MASTER**

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

## **OTHER FINDINGS**

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

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## INTRODUCTORY SECTION

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# Henderson County Officials

## June 30, 2006

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### **Officials**

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

### **Board of County Commissioners**

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

### **Budget Committee**

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

### **Board of Education**

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

### **Finance Committee**

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

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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**

January 26, 2007

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henderson County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise Henderson County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Henderson County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented Henderson County Emergency Communications District, which represent 1.3 percent and 1.1 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Henderson County Emergency Communications District is based on the report 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 report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report 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 Henderson 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 January 26, 2007, on our consideration of Henderson County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

The budgetary comparison information on pages 57 through 61 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 Henderson County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Henderson County School Department (a discretely presented component unit), 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 Henderson County School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section 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,



John G. Morgan  
Comptroller of the Treasury

JGM/sb

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

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

	Primary	Component Units	
	Government	Henderson	Emergency
	Governmental	School	District
	Activities	Department	District
<b>ASSETS</b>			
Cash	\$ 496,607	\$ 0	\$ 241,921
Equity in Pooled Cash and Investments	5,878,783	1,623,079	0
Accounts Receivable	59,865	852	10,506
Due from Other Governments	682,951	512,153	8,413
Property Taxes Receivable	4,618,680	2,373,328	0
Allowance for Uncollectible Property Taxes	(101,342)	(58,528)	0
Deferred Charges - Debt Issuance Costs	195,981	0	0
Capital Assets:			
Assets Not Depreciated:			
Land	2,133,209	679,161	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	881,574	20,008,996	11,591
Infrastructure	1,489,746	0	0
Other Capital Assets	1,627,239	373,973	70,453
Total Assets	<u>\$ 17,963,293</u>	<u>\$ 25,513,014</u>	<u>\$ 342,884</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 227,484	\$ 2,671	\$ 6,000
Payroll Deductions Payable	3	0	0
Accrued Interest Payable	184,349	0	0
Other Payables from Restricted Assets	3,820	0	0
Deferred Revenue - Current Property Taxes	4,340,241	2,212,527	0
Noncurrent Liabilities:			
Due Within One Year	1,948,925	0	0
Due In More Than One Year (net of deferred amount on refunding and unamortized premium on debt)	23,818,989	0	0
Total Liabilities	<u>\$ 30,523,811</u>	<u>\$ 2,215,198</u>	<u>\$ 6,000</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	\$ 4,119,671	\$ 0	\$ 0
Invested in Capital Assets	0	21,062,130	76,044
Restricted for:			
Capital Projects	15,178	73,048	0
Debt Service	4,913,711	0	0
Solid Waste/Sanitation	229,231	0	0
Constitutional Officers - Fees	530,393	0	0
Highway/Public Works	766,607	0	0
School Federal Projects	0	274,999	0
School Transportation	0	144,473	0
Other Purposes	176,796	35,263	0
Unrestricted	(23,312,105)	1,707,903	260,840
Total Net Assets	<u>\$ (12,560,518)</u>	<u>\$ 23,297,816</u>	<u>336,884</u>

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

Exhibit B

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component Units	
					Government	Henderson County School Department	Emergency Communications District
				Total Governmental Activities			
Primary Government:							
Governmental Activities:							
General Government	\$ 768,226	\$ 175,094	\$ 16,781	\$ 198,000	\$ (378,351)	\$ 0	\$ 0
Finance	874,569	533,238	11,787	0	(329,544)	0	0
Administration of Justice	768,620	1,054,420	9,700	0	295,500	0	0
Public Safety	2,984,256	436,966	190,524	184,021	(2,172,745)	0	0
Public Health and Welfare	456,603	22,718	248,240	313,889	128,244	0	0
Social, Cultural, and Recreational Services	74,838	0	0	0	(74,838)	0	0
Agriculture and Natural Resources	84,557	0	0	0	(84,557)	0	0
Other Operations	576,185	0	0	0	(576,185)	0	0
Highways/Public Works	2,095,355	0	1,786,490	376,288	67,423	0	0
Education (Payment to Component Unit)	0	0	0	0	0	0	0
Interest on Long-term Debt	1,114,032	0	290,458	0	(823,574)	0	0
Other Debt Service	98,714	0	0	0	(98,714)	0	0
<b>Total Primary Government</b>	<b>\$ 9,895,955</b>	<b>\$ 2,222,436</b>	<b>\$ 2,553,980</b>	<b>\$ 1,072,198</b>	<b>\$ (4,047,341)</b>	<b>\$ 0</b>	<b>\$ 0</b>
Component Units:							
Henderson County School Department	\$ 22,899,733	\$ 86,312	\$ 2,754,505	\$ 0	\$ 0	\$ (20,058,916)	\$ 0
Emergency Communications District	187,676	191,819	0	0	0	0	4,143
<b>Total Component Units</b>	<b>\$ 23,087,409</b>	<b>\$ 278,131</b>	<b>\$ 2,754,505</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (20,058,916)</b>	<b>\$ 4,143</b>

(Continued)

Exhibit B

Henderson County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component Units	
					Government	Henderson County School Department	Emergency Communications District
				Total Governmental Activities			
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes				\$ 3,246,127	\$ 2,700,871	\$	0
Property Taxes Levied for Debt Service				1,423,911	0		0
Local Option Sales Tax				582,748	2,226,080		0
Other Local Taxes				531,547	363,133		0
Grants and Contributions Not Restricted for Specific Programs				217,534	14,363,253		101,000
Unrestricted Investment Earnings				272,958	0		0
Miscellaneous				35,274	1,034		8,353
<b>Total General Revenues</b>				<b>\$ 6,310,099</b>	<b>\$ 19,654,371</b>	<b>\$</b>	<b>109,353</b>
Change in Net Assets				\$ 2,262,758	\$ (404,545)	\$	113,496
Net Assets, July 1, 2005				(14,823,276)	23,702,361		223,388
Net Assets, June 30, 2006				<b>\$ (12,560,518)</b>	<b>\$ 23,297,816</b>	<b>\$</b>	<b>336,884</b>

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

Exhibit C-1

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

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 496,607	\$ 496,607
Equity in Pooled Cash and Investments	512,441	515,143	3,757,797	1,093,402	5,878,783
Accounts Receivable	20,958	54	462	38,391	59,865
Due from Other Governments	105,881	481,012	0	96,058	682,951
Due from Other Funds	15,953	0	9,773	91,258	116,984
Property Taxes Receivable	2,521,564	175,584	1,616,281	305,251	4,618,680
Allowance for Uncollectible Property Taxes	(57,750)	(3,726)	(33,160)	(6,706)	(101,342)
<b>Total Assets</b>	<b>\$ 3,119,047</b>	<b>\$ 1,168,067</b>	<b>\$ 5,351,153</b>	<b>\$ 2,114,261</b>	<b>\$ 11,752,528</b>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 0	\$ 227,484	\$ 0	\$ 0	\$ 227,484
Payroll Deductions Payable	3	0	0	0	3
Due to Other Funds	9,773	0	106,971	240	116,984
Current Liabilities Payable from Restricted Assets:					
Other Payables from Restricted Assets	3,820	0	0	0	3,820
Deferred Revenue - Current Property Taxes	2,358,337	165,347	1,529,732	286,825	4,340,241
Deferred Revenue - Delinquent Property Taxes	94,468	5,828	47,695	10,492	158,483
Other Deferred Revenues	23,751	159,477	0	48,022	231,250
<b>Total Liabilities</b>	<b>\$ 2,490,152</b>	<b>\$ 558,136</b>	<b>\$ 1,684,398</b>	<b>\$ 345,579</b>	<b>\$ 5,078,265</b>
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 42,314	\$ 7,077	\$ 0	\$ 8,720	\$ 58,111
Reserved for Alcohol and Drug Treatment	65,319	0	0	0	65,319
Reserved for Sexual Offender Registration	2,095	0	0	0	2,095
Reserved for Computer System - Register	31,667	0	0	0	31,667
Reserved for Automation Purposes - Sheriff	8,599	0	0	0	8,599
Unreserved, Reported In:					
General Fund	478,901	0	0	0	478,901
Special Revenue Funds	0	602,854	0	808,502	1,411,356
Debt Service Funds	0	0	3,666,755	936,282	4,603,037
Capital Projects Funds	0	0	0	15,178	15,178
<b>Total Fund Balances</b>	<b>\$ 628,895</b>	<b>\$ 609,931</b>	<b>\$ 3,666,755</b>	<b>\$ 1,768,682</b>	<b>\$ 6,674,263</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,119,047</b>	<b>\$ 1,168,067</b>	<b>\$ 5,351,153</b>	<b>\$ 2,114,261</b>	<b>\$ 11,752,528</b>

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

Exhibit C-2

Henderson County, Tennessee

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

June 30, 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)		\$	6,674,263
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	2,133,209	
Add: buildings and improvements net of accumulated depreciation		881,574	
Add: infrastructure net of accumulated depreciation		1,489,746	
Add: other capital assets net of accumulated depreciation		<u>1,627,239</u>	6,131,768
(2) Long-term liabilities are not due in the current period and therefore are not reported in the governmental funds.			
Less: bonds payable	\$	(22,385,000)	
Less: notes payable		(3,643,607)	
Add: deferred amount on refunding		398,137	
Add: deferred charges - debt issuance costs		195,981	
Less: compensated absences payable		(82,409)	
Less: landfill closure/postclosure care costs		(55,035)	
Less: accrued interest on bonds and notes		<u>(184,349)</u>	(25,756,282)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			
			<u>389,733</u>
Net assets of governmental activities (Exhibit A)		\$	<u>(12,560,518)</u>

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

Exhibit C-3

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

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 3,410,783	\$ 175,088	\$ 1,475,026	\$ 830,388	\$ 5,891,285
Licenses and Permits	1,330	0	0	0	1,330
Fines, Forfeitures, and Penalties	182,476	0	0	218,995	401,471
Charges for Current Services	53,075	0	0	864,709	917,784
Other Local Revenues	107,271	38,898	151,975	53,222	351,366
Fees Received from County Officials	470,568	0	0	0	470,568
State of Tennessee	937,361	2,159,213	0	197,856	3,294,430
Federal Government	316,746	0	0	0	316,746
Other Governments and Citizens Groups	234,716	0	0	290,458	525,174
Total Revenues	<u>\$ 5,714,326</u>	<u>\$ 2,373,199</u>	<u>\$ 1,627,001</u>	<u>\$ 2,455,628</u>	<u>\$ 12,170,154</u>
<u>Expenditures</u>					
Current:					
General Government	\$ 742,338	\$ 0	\$ 0	\$ 0	\$ 742,338
Finance	506,504	0	0	323,035	829,539
Administration of Justice	241,351	0	0	466,189	707,540
Public Safety	2,391,474	0	0	181,814	2,573,288
Public Health and Welfare	481,682	0	0	463,604	945,286
Social, Cultural, and Recreational Services	74,838	0	0	0	74,838
Agricultural and Natural Resources	83,854	0	0	0	83,854
Other Operations	882,753	0	0	0	882,753
Highways	0	2,368,123	0	0	2,368,123
Debt Service:					
Principal on Debt	58,550	0	1,405,835	390,000	1,854,385
Interest on Debt	13,641	0	818,654	284,858	1,117,153
Other Debt Service	0	0	34,459	6,294	40,753
Total Expenditures	<u>\$ 5,476,985</u>	<u>\$ 2,368,123</u>	<u>\$ 2,258,948</u>	<u>\$ 2,115,794</u>	<u>\$ 12,219,850</u>
Excess (Deficiency) of Revenues Over Expenditures					
	<u>\$ 237,341</u>	<u>\$ 5,076</u>	<u>\$ (631,947)</u>	<u>\$ 339,834</u>	<u>\$ (49,696)</u>
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 245,500	\$ 0	\$ 0	\$ 0	\$ 245,500
Total Other Financing Sources (Uses)	<u>\$ 245,500</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 245,500</u>
Net Change in Fund Balances					
Fund Balance, July 1, 2005	\$ 482,841	\$ 5,076	\$ (631,947)	\$ 339,834	\$ 195,804
	<u>146,054</u>	<u>604,855</u>	<u>4,298,702</u>	<u>1,428,848</u>	<u>6,478,459</u>
Fund Balance, June 30, 2006	<u>\$ 628,895</u>	<u>\$ 609,931</u>	<u>\$ 3,666,755</u>	<u>\$ 1,768,682</u>	<u>\$ 6,674,263</u>

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

Exhibit C-4

Henderson County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 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)		\$	195,804
(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 difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current period		\$	990,726
Less: current year depreciation expense			<u>(458,214)</u>
			532,512
(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		\$	389,733
Less: deferred delinquent property taxes and other deferred June 30, 2005			<u>(401,174)</u>
			(11,441)
(3) The issuance of long-term debt (e.g., bonds, notes, other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items.			
Less: note proceeds		\$	(245,500)
Less: change in deferred amount on refunding debt			(42,616)
Add: change in deferred debt issuance costs			(15,345)
Add: principal payments on notes			914,385
Add: principal payments on bonds			<u>940,000</u>
			1,550,924
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in accrued interest payable		\$	3,121
Change in closure/postclosure care costs			2,706
Change in compensated absences			<u>(10,868)</u>
			(5,041)
Change in net assets of governmental activities (Exhibit B)		\$	<u>2,262,758</u>

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

Exhibit D

Henderson 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	\$ 86,806
Cash	2,342,937
Accounts Receivable	156
Due from Other Governments	626,269
Taxes Receivable	392,503
Allowance for Uncollectible Taxes	<u>(10,774)</u>
Total Assets	<u>\$ 3,437,897</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 1,094,960
Due to Litigants, Heirs, and Others	<u>2,342,937</u>
Total Liabilities	<u>\$ 3,437,897</u>

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

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

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

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

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

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

The Henderson County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of

the Henderson County School Department are included in this report as listed in the table of contents. Complete financial statements of the Henderson County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

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

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

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. 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 Henderson County does not have any business-type activities to report. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Henderson County School Department component unit only reports governmental activities in the government-wide financial statements.

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary fund financial statements, 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 Henderson County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary; however, Henderson County has no proprietary funds to report. An emphasis is placed on major funds within the governmental category.

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. The fiduciary funds in total are reported in a single column.

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

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared excise taxes, fines,

forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

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.

Henderson County reports the following major governmental funds:

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

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

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

Additionally, Henderson County reports the following fund types:

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

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

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

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

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

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

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

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 Henderson County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service Fund. Henderson County and the Henderson County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State

statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

## **2. Receivables and Payables**

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.1 percent of total taxes levied.

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

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

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

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

**3. Capital Assets**

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more (infrastructure \$40,000) and an estimated useful life of more than five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

**4. Compensated Absences**

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

**5. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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

**6. Net Assets and Fund Equity**

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

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

As of June 30, 2006, Henderson County had \$24,011,884 in outstanding debt issued for capital purposes of the discretely presented Henderson County School Department. In accordance with state statutes, certain county school debt proceeds must be shared with other public school systems in the county (City of Lexington School System) based on an average daily attendance proration. This debt is a liability of Henderson County, but the capital assets acquired are reported in the financial statements of the Henderson County School Department and the City of Lexington School System. Therefore, Henderson County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The following table reflects designations on June 30, 2006:

<u>Fund/Purpose</u>	<u>Amount</u>
General:	
Tourism	\$ 55,883
Industrial Development	81,637

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

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

Primary Government

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

Discretely Presented Henderson 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 with the government-wide statement of net assets.

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

### Primary Government

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

### Discretely Presented Henderson County School Department

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

## **III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **A. Budgetary Information**

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

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

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

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

**B. Expenditures Exceeded Appropriations**

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

<u>Fund</u>	<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
General	Sheriff's Department	\$ 43,754
"	Workhouse	109,220
"	County Coroner/Medical Examiner	22,047
"	Contributions to Other Agencies	60,000
General Purpose School	Regular Instruction Program	3,399

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

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

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

**Deposits**

**Legal Provisions.** All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

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

**Investments**

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

**Investment Balances.** As of June 30, 2006, Henderson County had the following investments carried at cost. All investments are in the county trustee’s investment pool. Separate disclosures concerning pooled investments cannot be made for Henderson County and the discretely presented Henderson County School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>
State Treasurer's Investment Pool	Daily	\$ 3,181,363

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

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Henderson County has no investment policy that would further limit its investment choices. As of June 30, 2006, Henderson County’s investment in the State Treasurer’s Investment Pool was unrated.

**B. Capital Assets**

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

**Primary Government**

**Governmental Activities:**

	Balance 7-1-05	Increases	Balance 6-30-06
Capital Assets Not Depreciated:			
Land	\$ 2,133,209	\$ 0	\$ 2,133,209
Total Capital Assets Not Depreciated	\$ 2,133,209	\$ 0	\$ 2,133,209
Capital Assets Depreciated:			
Buildings and Improvements	\$ 1,997,126	\$ 556,805	\$ 2,553,931
Infrastructure	1,249,098	433,921	1,683,019
Other Capital Assets	4,209,746	0	4,209,746
Total Capital Assets Depreciated	\$ 7,455,970	\$ 990,726	\$ 8,446,696
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 1,639,755	\$ 32,602	\$ 1,672,357
Infrastructure	103,979	89,294	193,273
Other Capital Assets	2,246,189	336,318	2,582,507
Total Accumulated Depreciation	\$ 3,989,923	\$ 458,214	\$ 4,448,137
Total Capital Assets Depreciated, Net	\$ 3,466,047	\$ 532,512	\$ 3,998,559
Governmental Activities Capital Assets, Net	\$ 5,599,256	\$ 532,512	\$ 6,131,768

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

**Governmental Activities:**

Public Safety	\$ 239,476
Public Health and Welfare	58,069
Highways	160,669
Total Depreciation Expense - Governmental Activities	\$ 458,214

Discretely Presented Henderson County School Department

**Governmental Activities:**

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:				
Land	\$ 554,161	\$ 125,000	\$ 0	\$ 679,161
Construction in Progress	1,362,728	0	1,362,728	0
<b>Total Capital Assets Not Depreciated</b>	<b>\$ 1,916,889</b>	<b>\$ 125,000</b>	<b>\$ 1,362,728</b>	<b>\$ 679,161</b>
Capital Assets Depreciated:				
Building and Improvements	\$ 33,676,276	\$ 2,249,406	\$ 0	\$ 35,925,682
Other Capital Assets	516,631	42,950	0	559,581
<b>Total Capital Assets Depreciated</b>	<b>\$ 34,192,907</b>	<b>\$ 2,292,356</b>	<b>\$ 0</b>	<b>\$ 36,485,263</b>
Less Accumulated Depreciation For:				
Building and Improvements	\$ 14,731,762	\$ 1,184,924	\$ 0	\$ 15,916,686
Other Capital Assets	151,696	33,912	0	185,608
<b>Total Accumulated Depreciation</b>	<b>\$ 14,883,458</b>	<b>\$ 1,218,836</b>	<b>\$ 0</b>	<b>\$ 16,102,294</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 19,309,449</b>	<b>\$ 1,073,520</b>	<b>\$ 0</b>	<b>\$ 20,382,969</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 21,226,338</b>	<b>\$ 1,198,520</b>	<b>\$ 1,362,728</b>	<b>\$ 21,062,130</b>

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

**Governmental Activities:**

Instruction	\$ 1,077,990
Support Services	92,391
Operation of Non-instructional Services	<u>48,455</u>
<b>Total Depreciation Expense - Governmental Activities</b>	<b><u><u>\$ 1,218,836</u></u></b>

**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>
General	General Debt Service	\$ 15,713
General	Nonmajor governmental	240
General Debt Service	General	9,773
Nonmajor governmental	General Debt Service	91,258

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

**Interfund Transfers:**

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

**Discretely Presented Henderson County School Department**

<u>Transfers Out</u>	<u>Transfers In</u> General Purpose School Fund
Nonmajor governmental funds	\$ 6,940
Total	<u>\$ 6,940</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.

**C. Long-term Debt**

**Primary Government**

**General Obligation Bonds and Notes**

The county issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In addition, general

obligation bonds have been issued to refund other general obligation bonds. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 20 years for bonds and up to 12 years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and notes included in long-term debt as of June 30, 2006, will be retired from the General Debt Service Fund, the Rural Debt Service Fund, and the General Fund.

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

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
General Obligation Bonds	2 to 6%	\$ 25,060,000	\$ 9,390,000
General Obligation Bonds - Refunding	2 to 5	15,380,000	12,995,000
Capital Outlay Notes	2 to 4.5	3,617,658	2,198,607
Capital Outlay Notes - Refunding	3.2 to 3.95	1,620,000	1,445,000

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

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2007	\$ 990,000	\$ 952,015	\$ 899,221	\$ 133,787
2008	1,180,000	908,929	757,553	111,720
2009	1,280,000	856,287	581,833	77,224
2010	1,550,000	802,619	230,000	55,818
2011	1,700,000	736,895	240,000	47,097
2012-2016	10,255,000	2,518,280	845,000	99,415
2017-2021	4,495,000	607,311	90,000	3,600
2022-2024	935,000	80,387	0	0
Total	\$ 22,385,000	\$ 7,462,723	\$ 3,643,607	\$ 528,661

There is \$4,603,037 available in the debt service funds to service long-term debt. Bonded debt per capita totaled \$877, based on the 2000 federal census. Debt per capita, including bonds and notes, totaled \$1,020, based on the 2000 federal census.

Changes in Long-term Liabilities

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

Governmental Activities:

	<u>Bonds</u>	<u>Notes</u>
Balance, July 1, 2005	\$ 23,325,000	\$ 4,312,492
Additions	0	245,500
Deductions	<u>(940,000)</u>	<u>(914,385)</u>
Balance, June 30, 2006	<u>\$ 22,385,000</u>	<u>\$ 3,643,607</u>
Balance Due Within One Year	<u>\$ 990,000</u>	<u>\$ 899,221</u>

	<u>Compensated Absences</u>	<u>Landfill Closure/ Postclosure Care Costs</u>
Balance, July 1, 2005	\$ 71,541	\$ 57,741
Additions	88,382	0
Deductions	<u>(77,514)</u>	<u>(2,706)</u>
Balance, June 30, 2006	<u>\$ 82,409</u>	<u>\$ 55,035</u>
Balance Due Within One Year	<u>\$ 56,704</u>	<u>\$ 3,000</u>

Analysis of noncurrent liabilities presented on Exhibit A:

Total noncurrent liabilities, June 30, 2006	\$ 26,166,051
Less: Balance due within one year	(1,948,925)
Less: Deferred amount on refunding	<u>(398,137)</u>
Noncurrent liabilities - due in more than one year - Exhibit A	<u>\$ 23,818,989</u>

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

Defeasance of Prior Debt

In prior years, Henderson County defeased certain outstanding general obligation bonds by placing the proceeds of the new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds. The trustee is empowered and required to pay all principal and interest on the defeased bonds as originally scheduled. Accordingly, the trust accounts and the defeased bonds are not included in the county's financial statements. At June 30, 2006, the High School Bonds, Series 1997 (\$7,950,000) are considered defeased:

Discretely Presented Henderson County School Department

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Henderson County School Department for the year ended June 30, 2006, was as follows:

Governmental Activities:

	<u>Capital Leases</u>
Balance, July 1, 2005	\$ 57,259
Deductions	<u>(57,259)</u>
Balance, June 30, 2006	<u><u>\$ 0</u></u>

**D. Short-term Debt**

Henderson County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund (\$1,000,000), the Solid Waste/Sanitation Fund (\$100,000), and the discretely presented School Department's School Transportation Fund (\$200,000). These notes were necessary because funds were not available for operating expenses coming due before current tax collections. Short-term debt activity for the year ended June 30, 2006, was as follows:

	Balance 7-1-05	Issued	Redeemed	Balance 6-30-06
Tax Anticipation Notes	\$ 0	\$ 1,300,000	\$ (1,300,000)	\$ 0

## V. OTHER INFORMATION

### A. Risk Management

#### Henderson County

##### Employee Health Insurance

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

##### Workers' Compensation Insurance

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

##### Liability, Property, and Casualty

Henderson County participates in the Local Government Property and Casualty Fund (LGPCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. The county pays an annual premium to the LGPCF for its general liability, property, and casualty insurance coverage. The creation of the LGPCF provides for it to be self-sustaining through member premiums. The LGPCF reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

##### Discretely Presented Henderson County School Department

The discretely presented Henderson County School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, TCA, all local education agencies are eligible to participate. The LEGIF is

included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. Section 8-27-303, TCA, provides for the LEGIF to be self-sustaining through member premiums.

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

## **B. Accounting Changes**

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 insurance recoveries 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 Henderson 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 Henderson 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. Henderson County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Henderson County will be required to disclose net assets restricted by enabling legislation in subsequent years.

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. Henderson County was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Henderson County will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

### **C. Subsequent Events**

Subsequent to June 30, 2006, Henderson County issued revenue anticipation notes to provide funds to meet anticipated expenditures of the General Fund (\$600,000) and the School Transportation Fund (\$200,000). These funds were borrowed from the General Debt Service Fund at zero percent interest with repayment to be made by June 30, 2007.

Subsequent to June 30, 2006, Henderson County issued a general obligation capital outlay totaling \$150,000 to provide funds for construction of a bridge.

On August 29, 2006, Ricky Lunsford resigned from the Office of Sheriff. On September 18, 2006, the County Commission appointed Barry Edgin to serve as sheriff until Brian Duke was elected as sheriff on November 7, and took office on November 20, 2006.

On September 1, 2006, Susan Bunch resigned as director of schools. The Henderson County Board on Education appointed Bobby Snider to serve as interim director of schools effective September 2, 2006. On September 14, 2006, Mr. Snider resigned as interim director and Teresa McDaniel was appointed

by the Board of Education to serve as interim director of schools. On October 23, 2006, the Henderson County School Board appointed Teresa McDaniel as director of schools.

**D. Contingent Liabilities**

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

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

The City of Lexington-Henderson County Landfill is jointly owned by the City of Lexington and Henderson County. The City of Lexington operates the landfill and is responsible for its closure and postclosure care costs. State and federal laws and regulations require the City of Lexington to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The landfill reached its capacity and was closed in May 1996. Henderson County paid 50 percent of the closure costs and has contractually agreed to pay 50 percent of the postclosure care costs. Henderson County's portion of the postclosure care costs for the year amounted to \$2,706. Future postclosure care costs are estimated to be \$110,070. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The \$55,035 reported as Accrued Liability for Landfill Postclosure Care Costs in Henderson County's financial statements at June 30, 2006, represents 50 percent of the remaining estimated costs for future postclosure care functions.

**F. Joint Ventures**

The Henderson County/Lexington Indigent Care Trust Fund was created by Henderson County and the City of Lexington and is governed by the Board of Trustees. The Board of Trustees comprises three members, two of whom are appointed by the Henderson County Commission. The City of Lexington's Board of City Aldermen and mayor appoint the remaining member. The hospital administrator of the Henderson County Community Hospital serves as an ex-officio nonvoting member. Henderson County and the City of Lexington have contributed monies to the Indigent Care Trust Fund. In accordance with the Indigent Care Trust Agreement, the city and county will not be responsible for any additional deposits to the Indigent Care Trust Fund. The trust fund will satisfy in full any obligations of the county and city for indigent care. The trust funds were invested until August 15, 2005, when the Treasury bill matured and the funds were placed in the bank account under the control of the Indigent Care Board. The income from the trust fund will be available for payment solely to the hospital for treatment rendered to indigent patients from the hospital service area. Payments to the hospital from the trust fund shall be made semi-annually following the

receipt by the trustees of a statement depicting the amount of care rendered by the hospital to indigent patients. The balance remaining in the trust fund in September 2007 shall be available to the hospital for treatment rendered to indigent patients and payments to the hospital shall be made from both principal and interest but shall not exceed \$270,000 in a year until the trust fund is exhausted.

The Beech River Regional Airport was established through a joint operations agreement between Decatur County, Henderson County, the City of Parsons, and the City of Lexington. The agreement created the Beech River Regional Airport Board to plan, develop, and maintain a regional airport that will economically benefit all residents of the two county areas. The board comprises nine members, two from each governmental unit and one appointed by the governmental entities on a one-year rotation basis. Each participant retains a 25 percent ownership in the airport; however, participants do not retain an equity interest in the airport. During the year ended June 30, 2006, the county appropriated an operating subsidy of \$37,850 to the airport and capital outlay note proceeds of \$245,500.

Complete financial statements for the Henderson County/Lexington Indigent Care Trust Fund and the Beech River Regional Airport can be obtained from their administrative offices at the following addresses:

Administrative Offices:

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

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

**G. Retirement Commitments**

**Plan Description**

County Officials

Employees of Henderson County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with ten years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years

of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after ten years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Henderson County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

#### General County Employees

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to 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**

### County Officials

Henderson County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2006, was 7.69 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Henderson County is established and may be amended by the TCRS Board of Trustees.

### General County Employees

Henderson County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2006, was 9.66 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Henderson County is established and may be amended by the TCRS Board of Trustees.

## **Annual Pension Cost**

### County Officials

For the year ended June 30, 2006, Henderson County's annual pension cost of \$44,451 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Henderson County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was 12 years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

**Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$44,451	100%	\$0
6-30-05	39,563	100	0
6-30-04	33,937	100	0

General County Employees

For the year ended June 30, 2006, Henderson County's annual pension cost of \$421,804 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Henderson County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was zero years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

**Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$421,804	100%	\$0
6-30-05	404,576	100	0
6-30-04	385,874	100	0

## Schedule of Funding Progress

### County Officials

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-05	\$778	\$903	\$125	86.16%	\$514	24.32%
6-30-03	580	718	138	80.78	493	27.99
6-30-01	430	584	154	73.63	469	32.84

### General County Employees

(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	\$1,990	\$2,086	\$96	95.40%	\$4,171	2.30%
6-30-03	624	725	101	86.07	3,954	2.55

### SCHOOL TEACHERS

#### **Plan Description**

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

of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.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 Henderson 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 Henderson County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2006, 2005, and 2004, were \$608,070, \$585,873, and \$352,618, respectively, equal to the required contributions for each year.

## **H. Office of Central Accounting and Budgeting**

### **Office of Director of Finance**

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

## **I. Purchasing Law**

The County Financial Management System Act of 1981 provides for the finance director or a deputy appointed by him to serve as the county purchasing agent. The finance director serves as the purchasing agent for Henderson County. The Henderson County Finance Committee, with the assistance of the director of finance, established a purchasing system for the county which requires the issuance of purchase orders. The Finance Committee has also established that competitive bids are required to be

solicited through newspaper advertisement on all purchases estimated to exceed \$5,000.

**VI. OTHER NOTES – DISCRETELY PRESENTED HENDERSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**A. Organization and Reporting Entity**

The Henderson County Emergency Communications District was established by voter referendum in August 1988, and the assessment of service fees began July 1, 1989. The district is a component unit of the county of Henderson, according to the criteria for classification as set forth by the Governmental Accounting Standards Board (GASB) Statement 14, defining the reporting entity.

In determining the reporting entity, the following criteria were used: oversight responsibility; scope of public services; approval before issuance of debt; and oversight and control of district billing rates. The Henderson County Commission appoints the Board of Directors and sets the district's rates charged to county residents. Therefore the financial activities of the district are deemed to be a separate accounting entity.

The purpose of Henderson County Emergency Communications District is to provide a simplified means of securing emergency services by telephone to those persons living in Henderson County, Tennessee.

**B. Summary of Significant Accounting Policies**

The accounting policies of the Henderson County Emergency Communications District conform to generally accepted accounting principles applicable to government as defined in the Statements of the Governmental Accounting Standards Board. The following is a summary of the more significant accounting policies.

**1. Basis of Accounting**

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for on a cost of services or capital maintenance measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with this activity are included on their balance sheets. Their reported fund equity (net assets) is segregated into invested in Capital Assets and Unrestricted Net Assets. Fund operating statements present increases (revenues) and decreases (expenses) in net total assets.

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

Henderson County Emergency Communications District uses the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

In accordance with GASB Standard No. 20, Henderson County Emergency Communications District applies all authoritative pronouncements, including Financial Accounting Standards Board (FASB) standards, issued on or before November 30, 1989. However, Henderson County E911 has chosen not to apply any FASB pronouncements issued after November 30, 1989.

**2. Cash and Equivalents**

Cash and cash equivalents include amounts in demand deposits as well as certificates of deposit with a maturity of less than three months when purchased.

State statutes allow investments in obligations of the U.S. Treasury, agencies, instrumentalities, and obligations guaranteed as to principal and interest of the United States of any of its agencies, repurchase agreements, the Tennessee Local Government Investment Pool, and certificates of deposit.

**3. Accounts Receivable and Credit Risk**

Accounts receivable represent amounts due from Bell South, TDS, and the State of Tennessee.

**4. Capital Assets**

The capital assets are recorded at historical cost. Maintenance repairs and minor renewals are expended as incurred. Depreciation has been provided over the estimated useful lives of the capital assets by the straight-line method. The estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Furniture, Fixtures, Equipment, and Vehicles	5
Building Improvements	40

**5. Compensated Absences**

Employees who have completed one year of service are entitled to one week vacation. After successfully completing two years of service, they are entitled to two weeks vacation. Employees who resign in good standing are paid for any unused vacation time. Employees receive five personal/sick days within a fiscal year. No more than 20 personal/sick days may be accumulated. Employees are compensated for unused personal/sick days and will be compensated when they resign in good standing. Certain district supervisors and management are awarded compensatory time to compensate for overtime which they may be required to work. The district budgets to cover actual employee salaries including compensated absences, no additional accrual is made for unused compensated absences.

**6. Budgetary Accounting**

Henderson County Emergency Communications District uses a cash basis of accounting for budgeting. The district makes no provision for depreciation expense. Prior to August 1<sup>st</sup>, the board legally adopts a budget for the upcoming fiscal year. The district, through the Board of Directors, periodically passes amendments to the current year budget based on actual expenditures.

During the current year, actual expenses exceeded district budgeted amounts in certain line items. Those items and the excess expenses are: Contracts with private agencies, \$5; Communications and Equipment Leasing, \$667; Building and Facilities Expense, \$1,046; Maintenance Repairs Communications, \$3,267; and Office Equipment, \$2,098.

**C. Cash and Investments**

At year-end, the carrying amount of the district's bank deposits was \$121,664, and the bank balances were \$155,294.

Cash deposits are broken down as follows:

	<u>Carrying Amount</u>	<u>Interest Rate</u>
Cash and cash equivalents:		
Petty Cash	\$ 200	
First Bank:		
Checking Accounts	<u>121,464</u>	0.40%
Total cash and cash equivalents	<u><u>\$ 121,664</u></u>	

Certificates of deposit totaled \$120,257. The interest rate on those deposits accrue at variable interest rates. Total cash and certificates of deposit in a single financial institution exceeded the \$100,000 maximum federal deposit insurance amounts. All cash and cash equivalents (excluding petty cash) and certificates of deposit, in excess of federal deposit insurance, are deposited in a state chartered financial institution, which is a part of the Tennessee State Collateral Pool. All accounts are titled as governmental accounts.

**D. Accrued Interest**

Interest was accrued on certificates of deposit held for temporary investment purposes. Total interest accrued on certificates of deposit is computed to be \$3,325 for 2006.

**E. Capital Assets**

Changes in capital assets for the year ended June 30, 2006, were:

	Balance 7-1-05	Additions	Deletions	Balance 6-30-06
Furniture & Fixtures	\$ 1,328	\$ 0	\$ 1,175	\$ 153
Office Equipment	41,913	2,949	9,779	35,083
Communications				
Equipment	75,790	61,009	40,748	96,051
Auto	0	12,800	0	12,800
Building				
Improvements	25,786	0	0	25,786
Total	<u>\$ 144,817</u>	<u>\$ 76,758</u>	<u>\$ 51,702</u>	<u>\$ 169,873</u>

**F. Accumulated Depreciation**

Changes in accumulated depreciation for the year ended June 30, 2006, were:

	Balance 7-1-05	Additions	Deletions	Balance 6-30-06
Furniture & Fixtures	\$ 1,328	\$ 0	\$ 1,175	\$ 153
Office Equipment	38,445	1,754	9,779	30,419
Communications Equipment	75,788	6,102	40,748	41,142
Auto	0	1,920	0	1,920
Building Improvements	13,565	629	0	14,195
Total	<u>\$ 129,126</u>	<u>\$ 10,405</u>	<u>\$ 51,702</u>	<u>\$ 87,829</u>

**G. Commitments**

The Henderson County Emergency Communications District has contracted with South Central Bell for the lease of equipment and the provision of services related to the operation of the system. Either party may cancel the contract on 30 days notice.

**H. Accounts Payable**

The district shows an accounts payable related to a balance still due on the purchase of its new mapping system program.

**I. Funding Sources**

Monthly fees provide funds for operations from service users in Henderson County. Two service suppliers in Henderson County - Bell South and TDS Telecom and a number of small independent telephone service providers collect the service fees and remit the funds to the district. The district also receives remittances from Tennessee Emergency Communications Board (TECB).

Bell South retains one percent of the collections as an administrative fee, while TDS Telecom retains three percent. The district receives funds from TECB based on a funding formula established by the state.

**J. Risk Financing Activities**

The Henderson County Emergency Communications District is covered as a component unit of the Henderson County government under its general insurance coverage for the general risks of losses to which it is exposed. These risks include general liability, property and casualty, workers' compensation, employee health and accident, and environmental. The Henderson County Emergency Communications District carries a separate blanket fidelity bond for possible loss related to acts of district key officers or directors. Settled claims have not exceeded this insurance coverage in any of the past three years.

**K. County Services**

The district's personnel are treated as employees of the county (Sheriff's Department) for purposes of accounting and payroll tax reporting. The district employees maintain time records for its personnel and remit amounts to the county to cover the payroll expenses. The district and the personnel expenses for which it reimburses the county relate to emergency communications services and do not involve general dispatch services.

**L. Medical Insurance Expense**

The district's personnel are treated as employees of the county (Sheriff's Department). The personnel of the district are covered under the medical health insurance benefits offered by Henderson County. The district remits amounts to Henderson County to reimburse the county for the cost of providing health insurance to district personnel. The district also offers its personnel the opportunity to receive reimbursement for private health insurance premiums paid by the employee, if the employee elects not to be covered under the Henderson County health insurance program. The maximum that the district will pay for any employees monthly private health insurance premium is \$250.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit E-1

Henderson County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
General Fund  
For the Year Ended June 30, 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	\$ 3,410,783	\$ 0	\$ 0	\$ 3,410,783	\$ 3,236,218	\$ 3,247,347	\$ 163,436
Licenses and Permits	1,330	0	0	1,330	1,500	1,500	(170)
Fines, Forfeitures, and Penalties	182,476	0	0	182,476	156,200	156,200	26,276
Charges for Current Services	53,075	0	0	53,075	31,000	33,276	19,799
Other Local Revenues	107,271	0	0	107,271	41,000	56,128	51,143
Fees Received from County Officials	470,568	0	0	470,568	444,000	495,317	(24,749)
State of Tennessee	937,361	0	0	937,361	263,566	779,644	157,717
Federal Government	316,746	0	0	316,746	13,600	299,249	17,497
Other Governments and Citizens Groups	234,716	0	0	234,716	188,746	224,453	10,263
<b>Total Revenues</b>	<b>\$ 5,714,326</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 5,714,326</b>	<b>\$ 4,375,830</b>	<b>\$ 5,293,114</b>	<b>\$ 421,212</b>
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 58,849	\$ 0	\$ 0	\$ 58,849	\$ 58,963	\$ 58,963	\$ 114
Board of Equalization	1,025	0	0	1,025	1,500	1,354	329
County Mayor/Executive	111,771	0	0	111,771	105,300	112,991	1,220
County Attorney	6,361	0	0	6,361	6,218	6,364	3
Election Commission	332,965	0	2,386	335,351	129,652	336,352	1,001
Register of Deeds	130,154	0	138	130,292	135,345	135,345	5,053
County Buildings	101,213	0	290	101,503	103,370	103,370	1,867
<u>Finance</u>							
Accounting and Budgeting	240,239	(500)	1,914	241,653	248,112	248,112	6,459
Property Assessor's Office	182,065	0	0	182,065	189,952	189,952	7,887
Reappraisal Program	36,931	0	0	36,931	37,612	37,612	681
County Trustee's Office	16,715	0	0	16,715	19,075	19,075	2,360
County Clerk's Office	30,554	(26)	0	30,528	25,500	30,550	22

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	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>Administration of Justice</u>							
Circuit Court	\$ 44,736	\$ 0	\$ 0	\$ 44,736	\$ 46,237	\$ 46,237	\$ 1,501
General Sessions Court	131,360	(115)	92	131,337	129,509	131,775	438
Chancery Court	19,983	0	1,085	21,068	20,700	21,070	2
Juvenile Court	45,272	0	0	45,272	46,570	46,570	1,298
<u>Public Safety</u>							
Sheriff's Department	1,206,020	(2,196)	1,971	1,205,795	983,851	1,162,041	(43,754)
Workhouse	495,124	0	996	496,120	384,748	386,900	(109,220)
Fire Prevention and Control	329,536	(42,265)	13,952	301,223	200,094	315,788	14,565
Civil Defense	6,608	0	0	6,608	0	6,608	0
Rescue Squad	10,000	0	0	10,000	10,000	10,000	0
Disaster Relief	9,947	0	0	9,947	0	9,947	0
County Coroner/Medical Examiner	45,060	0	0	45,060	23,013	23,013	(22,047)
Other Public Safety	289,179	0	0	289,179	246,591	289,162	(17)
<u>Public Health and Welfare</u>							
Local Health Center	412,556	0	0	412,556	35,980	414,418	1,862
Alcohol and Drug Programs	0	0	0	0	8,000	8,000	8,000
Other Local Health Services	2,000	0	0	2,000	4,000	4,000	2,000
Appropriation to State	8,590	0	0	8,590	12,300	12,300	3,710
General Welfare Assistance	5,125	0	0	5,125	5,125	5,125	0
Aid to Dependent Children	307	0	0	307	700	700	393
Waste Pickup	53,104	0	10	53,114	35,567	69,722	16,608
<u>Social, Cultural, and Recreational Services</u>							
Adult Activities	5,807	0	0	5,807	5,808	5,808	1
Senior Citizens Assistance	15,500	0	0	15,500	15,500	15,500	0
Libraries	39,726	0	0	39,726	36,500	39,726	0
Other Social, Cultural, and Recreational	13,805	0	0	13,805	15,000	15,000	1,195

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	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>Agriculture &amp; Natural Resources</u>							
Agriculture Extension Service	\$ 67,404	\$ 0	\$ 0	\$ 67,404	\$ 60,685	\$ 67,484	\$ 80
Soil Conservation	9,674	0	0	9,674	16,866	10,066	392
Flood Control	6,776	0	0	6,776	9,752	6,776	0
<u>Other Operations</u>							
Tourism	23,000	0	0	23,000	7,000	23,000	0
Industrial Development	42,815	0	0	42,815	7,000	42,815	0
Veterans' Services	40,972	(29)	0	40,943	39,850	41,004	61
Other Charges	227,955	0	0	227,955	250,261	228,485	530
Contributions to Other Agencies	60,000	0	0	60,000	0	0	(60,000)
Employee Benefits	80,084	0	0	80,084	96,021	98,292	18,208
Payments to Cities	20,240	0	0	20,240	19,900	20,240	0
Miscellaneous	387,687	0	19,480	407,167	73,642	1,407,187	1,000,020
<u>Principal on Debt</u>							
General Government	58,550	0	0	58,550	0	58,550	0
<u>Interest on Debt</u>							
General Government	13,641	0	0	13,641	0	13,641	0
Total Expenditures	\$ 5,476,985	\$ (45,131)	\$ 42,314	\$ 5,474,168	\$ 3,907,369	\$ 6,336,990	\$ 862,822
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 237,341	\$ 45,131	\$ (42,314)	\$ 240,158	\$ 468,461	\$ (1,043,876)	\$ 1,284,034
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 245,500	\$ 0	\$ 0	\$ 245,500	\$ 0	\$ 1,000,000	\$ (754,500)
Transfers In	0	0	0	0	0	275,660	(275,660)
Total Other Financing Sources (Uses)	\$ 245,500	\$ 0	\$ 0	\$ 245,500	\$ 0	\$ 1,275,660	\$ (1,030,160)
Net Change in Fund Balance							
Fund Balance, July 1, 2005	\$ 482,841	\$ 45,131	\$ (42,314)	\$ 485,658	\$ 468,461	\$ 231,784	\$ 253,874
	146,054	(45,131)	0	100,923	(423,916)	(222,886)	323,809
Fund Balance, June 30, 2006							
	\$ 628,895	\$ 0	\$ (42,314)	\$ 586,581	\$ 44,545	\$ 8,898	\$ 577,683

Exhibit E-2

Henderson County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 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	\$ 175,088	\$ 0	\$ 175,088	\$ 173,490	\$ 173,490	\$ 1,598
Other Local Revenues	38,898	0	38,898	0	0	38,898
State of Tennessee	2,159,213	0	2,159,213	2,336,615	2,336,615	(177,402)
<b>Total Revenues</b>	<b>\$ 2,373,199</b>	<b>\$ 0</b>	<b>\$ 2,373,199</b>	<b>\$ 2,510,105</b>	<b>\$ 2,510,105</b>	<b>\$ (136,906)</b>
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 97,861	\$ 77	\$ 97,938	\$ 107,757	\$ 107,757	\$ 9,819
Highway and Bridge Maintenance	1,201,958	4,500	1,206,458	1,319,283	1,319,283	112,825
Operation and Maintenance of Equipment	464,102	2,500	466,602	475,571	535,571	68,969
Other Charges	108,175	0	108,175	116,000	116,000	7,825
Employee Benefits	21,010	0	21,010	27,200	27,200	6,190
Capital Outlay	475,017	0	475,017	631,000	571,000	95,983
<b>Total Expenditures</b>	<b>\$ 2,368,123</b>	<b>\$ 7,077</b>	<b>\$ 2,375,200</b>	<b>\$ 2,676,811</b>	<b>\$ 2,676,811</b>	<b>\$ 301,611</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 5,076	\$ (7,077)	\$ (2,001)	\$ (166,706)	\$ (166,706)	\$ 164,705
Net Change in Fund Balance	\$ 5,076	\$ (7,077)	\$ (2,001)	\$ (166,706)	\$ (166,706)	\$ 164,705
Fund Balance, July 1, 2005	604,855	0	604,855	543,300	543,300	61,555
<b>Fund Balance, June 30, 2006</b>	<b>\$ 609,931</b>	<b>\$ (7,077)</b>	<b>\$ 602,854</b>	<b>\$ 376,594</b>	<b>\$ 376,594</b>	<b>\$ 226,260</b>

**HENDERSON 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 Henderson County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

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

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

**B. EXPENDITURES EXCEEDED APPROPRIATIONS**

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

<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
Sheriff's Department	\$ 43,754
Workhouse	109,220
County Coroner/Medical Examiner	22,047
Contributions to Other Agencies	60,000

Such overexpenditures are a violation of state law. 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 Henderson County’s garbage collection operations.

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

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

## Debt Service Fund

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Debt Service Funds are used to account for the accumulation of resources for, and the payment of, debt principal, interest, and related costs.

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Rural Debt Service Fund – The Rural Debt Service Fund is used to account for the accumulation of resources for, and the payment of, rural school debt.

# Capital Projects Fund

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Capital Projects Funds are used to account for 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 construction and renovations to county buildings.

Exhibit F-1

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

	Special Revenue Funds				Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total	Rural Debt Service	General Capital Projects	
<u>ASSETS</u>							
Cash	\$ 0	\$ 0	\$ 496,607	\$ 496,607	\$ 0	\$ 0	\$ 496,607
Equity in Pooled Cash and Investments	209,683	68,261	0	277,944	800,280	15,178	1,093,402
Accounts Receivable	3,510	855	34,026	38,391	0	0	38,391
Due from Other Governments	4,318	0	0	4,318	91,740	0	96,058
Due from Other Funds	0	0	0	0	91,258	0	91,258
Property Taxes Receivable	305,251	0	0	305,251	0	0	305,251
Allowance for Uncollectible Property Taxes	(6,706)	0	0	(6,706)	0	0	(6,706)
<b>Total Assets</b>	<b>\$ 516,056</b>	<b>\$ 69,116</b>	<b>\$ 530,633</b>	<b>\$ 1,115,805</b>	<b>\$ 983,278</b>	<b>\$ 15,178</b>	<b>\$ 2,114,261</b>
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Due to Other Funds	\$ 0	\$ 0	\$ 240	\$ 240	\$ 0	\$ 0	\$ 240
Deferred Revenue - Current Property Taxes	286,825	0	0	286,825	0	0	286,825
Deferred Revenue - Delinquent Property Taxes	10,492	0	0	10,492	0	0	10,492
Other Deferred Revenues	1,026	0	0	1,026	46,996	0	48,022
<b>Total Liabilities</b>	<b>\$ 298,343</b>	<b>\$ 0</b>	<b>\$ 240</b>	<b>\$ 298,583</b>	<b>\$ 46,996</b>	<b>\$ 0</b>	<b>\$ 345,579</b>
<u>Fund Balances</u>							
Reserved for Encumbrances	\$ 0	\$ 8,720	\$ 0	\$ 8,720	\$ 0	\$ 0	\$ 8,720
Unreserved	217,713	60,396	530,393	808,502	936,282	15,178	1,759,962
<b>Total Fund Balances</b>	<b>\$ 217,713</b>	<b>\$ 69,116</b>	<b>\$ 530,393</b>	<b>\$ 817,222</b>	<b>\$ 936,282</b>	<b>\$ 15,178</b>	<b>\$ 1,768,682</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 516,056</b>	<b>\$ 69,116</b>	<b>\$ 530,633</b>	<b>\$ 1,115,805</b>	<b>\$ 983,278</b>	<b>\$ 15,178</b>	<b>\$ 2,114,261</b>

Exhibit F-2

Henderson 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				Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total	Rural Debt Service	General Capital Projects	
<u>Revenues</u>							
Local Taxes	\$ 313,906	\$ 0	\$ 0	\$ 313,906	\$ 516,482	\$ 0	\$ 830,388
Fines, Forfeitures, and Penalties	0	218,995	0	218,995	0	0	218,995
Charges for Current Services	0	0	864,709	864,709	0	0	864,709
Other Local Revenues	22,718	0	0	22,718	30,504	0	53,222
State of Tennessee	167,856	0	0	167,856	0	30,000	197,856
Other Governments and Citizens Groups	0	0	0	0	290,458	0	290,458
<b>Total Revenues</b>	<b>\$ 504,480</b>	<b>\$ 218,995</b>	<b>\$ 864,709</b>	<b>\$ 1,588,184</b>	<b>\$ 837,444</b>	<b>\$ 30,000</b>	<b>\$ 2,455,628</b>
<u>Expenditures</u>							
Current:							
Finance	\$ 0	\$ 0	\$ 323,035	\$ 323,035	\$ 0	\$ 0	\$ 323,035
Administration of Justice	0	0	466,189	466,189	0	0	466,189
Public Safety	0	181,814	0	181,814	0	0	181,814
Public Health and Welfare	320,782	0	0	320,782	0	142,822	463,604
Debt Service:							
Principal on Debt	0	0	0	0	390,000	0	390,000
Interest on Debt	0	0	0	0	284,858	0	284,858
Other Debt Service	0	0	0	0	6,294	0	6,294
<b>Total Expenditures</b>	<b>\$ 320,782</b>	<b>\$ 181,814</b>	<b>\$ 789,224</b>	<b>\$ 1,291,820</b>	<b>\$ 681,152</b>	<b>\$ 142,822</b>	<b>\$ 2,115,794</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 183,698	\$ 37,181	\$ 75,485	\$ 296,364	\$ 156,292	\$ (112,822)	\$ 339,834
Net Change in Fund Balances	\$ 183,698	\$ 37,181	\$ 75,485	\$ 296,364	\$ 156,292	\$ (112,822)	\$ 339,834
Fund Balance, July 1, 2005	34,015	31,935	454,908	520,858	779,990	128,000	1,428,848
Fund Balance, June 30, 2006	\$ 217,713	\$ 69,116	\$ 530,393	\$ 817,222	\$ 936,282	\$ 15,178	\$ 1,768,682

Exhibit F-3

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 313,906	\$ 303,602	\$ 303,602	\$ 10,304
Other Local Revenues	22,718	7,500	7,500	15,218
State of Tennessee	167,856	0	17,416	150,440
Total Revenues	\$ 504,480	\$ 311,102	\$ 328,518	\$ 175,962
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Education/Information	\$ 320,782	\$ 328,496	\$ 445,912	\$ 125,130
Total Expenditures	\$ 320,782	\$ 328,496	\$ 445,912	\$ 125,130
Excess (Deficiency) of Revenues Over Expenditures	\$ 183,698	\$ (17,394)	\$ (117,394)	\$ 301,092
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 0	\$ 100,000	\$ (100,000)
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 100,000	\$ (100,000)
Net Change in Fund Balance	\$ 183,698	\$ (17,394)	\$ (17,394)	\$ 201,092
Fund Balance, July 1, 2005	34,015	44,307	44,307	(10,292)
Fund Balance, June 30, 2006	\$ 217,713	\$ 26,913	\$ 26,913	\$ 190,800

Exhibit F-4

Henderson County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Drug Control Fund  
For the Year Ended June 30, 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>							
Fines, Forfeitures, and Penalties	\$ 218,995	\$ 0	\$ 0	\$ 218,995	\$ 21,600	\$ 193,832	\$ 25,163
Total Revenues	\$ 218,995	\$ 0	\$ 0	\$ 218,995	\$ 21,600	\$ 193,832	\$ 25,163
<u>Expenditures</u>							
<u>Public Safety</u>							
Drug Enforcement	\$ 181,814	\$ (7,431)	\$ 8,720	\$ 183,103	\$ 21,600	\$ 197,322	\$ 14,219
Total Expenditures	\$ 181,814	\$ (7,431)	\$ 8,720	\$ 183,103	\$ 21,600	\$ 197,322	\$ 14,219
Excess (Deficiency) of Revenues Over Expenditures	\$ 37,181	\$ 7,431	\$ (8,720)	\$ 35,892	\$ 0	\$ (3,490)	\$ 39,382
Net Change in Fund Balance	\$ 37,181	\$ 7,431	\$ (8,720)	\$ 35,892	\$ 0	\$ (3,490)	\$ 39,382
Fund Balance, July 1, 2005	31,935	(7,431)	0	24,504	23,653	23,653	851
Fund Balance, June 30, 2006	\$ 69,116	\$ 0	\$ (8,720)	\$ 60,396	\$ 23,653	\$ 20,163	\$ 40,233

Exhibit F-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 516,482	\$ 400,000	\$ 400,000	\$ 116,482
Other Local Revenues	30,504	3,000	3,000	27,504
Other Governments and Citizens Groups	290,458	290,000	290,000	458
Total Revenues	<u>\$ 837,444</u>	<u>\$ 693,000</u>	<u>\$ 693,000</u>	<u>\$ 144,444</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 390,000	\$ 397,000	\$ 391,874	\$ 1,874
<u>Interest on Debt</u>				
Education	284,858	285,858	285,300	442
<u>Other Debt Service</u>				
Education	6,294	0	6,294	0
Total Expenditures	<u>\$ 681,152</u>	<u>\$ 682,858</u>	<u>\$ 683,468</u>	<u>\$ 2,316</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 156,292</u>	<u>\$ 10,142</u>	<u>\$ 9,532</u>	<u>\$ 146,760</u>
Net Change in Fund Balance	\$ 156,292	\$ 10,142	\$ 9,532	\$ 146,760
Fund Balance, July 1, 2005	<u>779,990</u>	<u>678,269</u>	<u>678,269</u>	<u>101,721</u>
Fund Balance, June 30, 2006	<u><u>\$ 936,282</u></u>	<u><u>\$ 688,411</u></u>	<u><u>\$ 687,801</u></u>	<u><u>\$ 248,481</u></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, long-term debt principal, interest, and related costs.

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Exhibit G

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,475,026	\$ 1,388,798	\$ 1,388,798	\$ 86,228
Other Local Revenues	151,975	50,000	50,000	101,975
Total Revenues	<u>\$ 1,627,001</u>	<u>\$ 1,438,798</u>	<u>\$ 1,438,798</u>	<u>\$ 188,203</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 496,038	\$ 551,052	\$ 560,505	\$ 64,467
Education	909,797	938,333	934,403	24,606
<u>Interest on Debt</u>				
General Government	25,863	52,833	51,743	25,880
Education	792,791	834,039	795,129	2,338
<u>Other Debt Service</u>				
Education	34,459	0	34,477	18
Total Expenditures	<u>\$ 2,258,948</u>	<u>\$ 2,376,257</u>	<u>\$ 2,376,257</u>	<u>\$ 117,309</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (631,947)</u>	<u>\$ (937,459)</u>	<u>\$ (937,459)</u>	<u>\$ 305,512</u>
Net Change in Fund Balance	\$ (631,947)	\$ (937,459)	\$ (937,459)	\$ 305,512
Fund Balance, July 1, 2005	<u>4,298,702</u>	<u>3,023,939</u>	<u>3,023,939</u>	<u>1,274,763</u>
Fund Balance, June 30, 2006	<u>\$ 3,666,755</u>	<u>\$ 2,086,480</u>	<u>\$ 2,086,480</u>	<u>\$ 1,580,275</u>

# 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 sales tax revenues collected inside incorporated cities of the county. These revenues are received by the county from the State of Tennessee and forwarded to the various cities on a monthly basis.

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

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

Exhibit H-1

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

	<u>Agency Funds</u>			<u>Total</u>
	<u>Cities - Sales Tax</u>	<u>City School ADA - Lexington</u>	<u>Constitu- tional Officers - Agency</u>	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 86,806	\$ 0	\$ 86,806
Cash	0	0	2,342,937	2,342,937
Accounts Receivable	0	156	0	156
Due from Other Governments	498,282	127,987	0	626,269
Taxes Receivable	0	392,503	0	392,503
Allowance for Uncollectible Taxes	0	(10,774)	0	(10,774)
<b>Total Assets</b>	<b>\$ 498,282</b>	<b>\$ 596,678</b>	<b>\$ 2,342,937</b>	<b>\$ 3,437,897</b>
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 498,282	\$ 596,678	\$ 0	\$ 1,094,960
Due to Litigants, Heirs, and Others	0	0	2,342,937	2,342,937
<b>Total Liabilities</b>	<b>\$ 498,282</b>	<b>\$ 596,678</b>	<b>\$ 2,342,937</b>	<b>\$ 3,437,897</b>

Exhibit H-2

Henderson 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	\$ 2,819,557	\$ 2,819,557	\$ 0
Due From Other Governments	470,459	498,282	470,459	498,282
<b>Total Assets</b>	<b>\$ 470,459</b>	<b>\$ 3,317,839</b>	<b>\$ 3,290,016</b>	<b>\$ 498,282</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 470,459	\$ 3,317,839	\$ 3,290,016	\$ 498,282
<b>Total Liabilities</b>	<b>\$ 470,459</b>	<b>\$ 3,317,839</b>	<b>\$ 3,290,016</b>	<b>\$ 498,282</b>
<u>City School ADA - Lexington Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 212,785	\$ 1,325,671	\$ 1,451,650	\$ 86,806
Accounts Receivable	119	156	119	156
Due From Other Governments	120,403	127,987	120,403	127,987
Taxes Receivable	387,955	392,503	387,955	392,503
Allowance for Uncollectible Taxes	(15,627)	(10,774)	(15,627)	(10,774)
<b>Total Assets</b>	<b>\$ 705,635</b>	<b>\$ 1,835,543</b>	<b>\$ 1,944,500</b>	<b>\$ 596,678</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 705,635	\$ 1,835,543	\$ 1,944,500	\$ 596,678
<b>Total Liabilities</b>	<b>\$ 705,635</b>	<b>\$ 1,835,543</b>	<b>\$ 1,944,500</b>	<b>\$ 596,678</b>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,727,283	\$ 7,925,914	\$ 7,310,260	\$ 2,342,937
<b>Total Assets</b>	<b>\$ 1,727,283</b>	<b>\$ 7,925,914</b>	<b>\$ 7,310,260</b>	<b>\$ 2,342,937</b>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,727,283	\$ 7,925,914	\$ 7,310,260	\$ 2,342,937
<b>Total Liabilities</b>	<b>\$ 1,727,283</b>	<b>\$ 7,925,914</b>	<b>\$ 7,310,260</b>	<b>\$ 2,342,937</b>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 212,785	\$ 4,145,228	\$ 4,271,207	\$ 86,806
Cash	1,727,283	7,925,914	7,310,260	2,342,937
Accounts Receivable	119	156	119	156
Due From Other Governments	590,862	626,269	590,862	626,269
Taxes Receivable	387,955	392,503	387,955	392,503
Allowance for Uncollectible Taxes	(15,627)	(10,774)	(15,627)	(10,774)
<b>Total Assets</b>	<b>\$ 2,903,377</b>	<b>\$ 13,079,296</b>	<b>\$ 12,544,776</b>	<b>\$ 3,437,897</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,176,094	\$ 5,153,382	\$ 5,234,516	\$ 1,094,960
Due to Litigants, Heirs, and Others	1,727,283	7,925,914	7,310,260	2,342,937
<b>Total Liabilities</b>	<b>\$ 2,903,377</b>	<b>\$ 13,079,296</b>	<b>\$ 12,544,776</b>	<b>\$ 3,437,897</b>

# Henderson County School Department

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

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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 on specific education programs.

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

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

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

Exhibit I-1

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 15,489,083	\$ 4,665	\$ 1,724,094	\$ 0	\$ (13,760,324)
Support Services	5,859,632	81,647	62,832	0	(5,715,153)
Operation of Noninstructional Services	1,260,560	0	967,579	0	(292,981)
Other Debt Service	290,458	0	0	0	(290,458)
<b>Total Governmental Activities</b>	<b>\$ 22,899,733</b>	<b>\$ 86,312</b>	<b>\$ 2,754,505</b>	<b>\$ 0</b>	<b>\$ (20,058,916)</b>
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 2,700,871
Local Option Sales Tax					2,226,080
Other Local Taxes					363,133
Grants and Contributions Not Restricted for Specific Programs					14,363,253
Miscellaneous					1,034
<b>Total General Revenues</b>					<b>\$ 19,654,371</b>
Change in Net Assets					\$ (404,545)
Net Assets, July 1, 2005					23,702,361
Net Assets, June 30, 2006					<b>\$ 23,297,816</b>

Exhibit I-2

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

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General Purpose School</u>	<u>School Transportation</u>	<u>Funds Other Governmental Funds</u>	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 1,225,385	\$ 111,645	\$ 286,049	\$ 1,623,079
Accounts Receivable	578	274	0	852
Due from Other Governments	450,155	0	61,998	512,153
Property Taxes Receivable	1,453,409	919,919	0	2,373,328
Allowance for Uncollectible Property Taxes	(39,898)	(18,630)	0	(58,528)
<b>Total Assets</b>	<b>\$ 3,089,629</b>	<b>\$ 1,013,208</b>	<b>\$ 348,047</b>	<b>\$ 4,450,884</b>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 2,671	\$ 0	\$ 0	\$ 2,671
Deferred Revenue - Current Property Taxes	1,343,792	868,735	0	2,212,527
Deferred Revenue - Delinquent Property Taxes	63,964	29,122	0	93,086
Other Deferred Revenues	201,583	0	0	201,583
<b>Total Liabilities</b>	<b>\$ 1,612,010</b>	<b>\$ 897,857</b>	<b>\$ 0</b>	<b>\$ 2,509,867</b>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 562,596	\$ 31,394	\$ 25,481	\$ 619,471
Reserved for Career Ladder - Extended Contract	29,671	0	0	29,671
Reserved for Career Ladder Program	5,592	0	0	5,592
Other Federal Reserves	0	0	251,531	251,531
Unreserved, Reported In:				
General Fund	879,760	0	0	879,760
Special Revenue Funds	0	83,957	0	83,957
Capital Projects Funds	0	0	71,035	71,035
<b>Total Fund Balances</b>	<b>\$ 1,477,619</b>	<b>\$ 115,351</b>	<b>\$ 348,047</b>	<b>\$ 1,941,017</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,089,629</b>	<b>\$ 1,013,208</b>	<b>\$ 348,047</b>	<b>\$ 4,450,884</b>

Exhibit I-3

Henderson County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
Discretely Presented Henderson County School Department  
June 30, 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)		\$	1,941,017
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Add: land	\$	679,161	
Add: buildings and improvements net of accumulated depreciation		20,008,996	
Add: other capital assets net of accumulated depreciation		<u>373,973</u>	21,062,130
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			<u>294,669</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>23,297,816</u></u>

Exhibit I-4

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

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>School</u>	<u>Funds</u>	
	<u>Purpose</u>	<u>Transpor -</u>	<u>Other</u>	<u>Governmental</u>
	<u>School</u>	<u>tation</u>	<u>Governmental</u>	<u>Funds</u>
			<u>Funds</u>	
<u>Revenues</u>				
Local Taxes	\$ 4,457,822	\$ 882,080	\$ 0	\$ 5,339,902
Licenses and Permits	2,537	0	0	2,537
Charges for Current Services	81,782	0	0	81,782
Other Local Revenues	45,306	0	3,689	48,995
State of Tennessee	13,990,229	0	0	13,990,229
Federal Government	1,041,474	0	1,873,728	2,915,202
<b>Total Revenues</b>	<b>\$ 19,619,150</b>	<b>\$ 882,080</b>	<b>\$ 1,877,417</b>	<b>\$ 22,378,647</b>
<u>Expenditures</u>				
Current:				
Instruction	\$ 12,368,110	\$ 0	\$ 1,503,776	\$ 13,871,886
Support Services	5,142,599	875,404	201,842	6,219,845
Operation of Non-Instructional Services	1,051,369	0	0	1,051,369
Capital Outlay	561,054	0	0	561,054
Debt Service:				
Other Debt Service	290,458	0	0	290,458
Capital Projects	0	0	706,438	706,438
<b>Total Expenditures</b>	<b>\$ 19,413,590</b>	<b>\$ 875,404</b>	<b>\$ 2,412,056</b>	<b>\$ 22,701,050</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 205,560	\$ 6,676	\$ (534,639)	\$ (322,403)
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 6,940	\$ 0	\$ 0	\$ 6,940
Transfers Out	0	0	(6,940)	(6,940)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 6,940</b>	<b>\$ 0</b>	<b>\$ (6,940)</b>	<b>\$ 0</b>
Net Change in Fund Balances	\$ 212,500	\$ 6,676	\$ (541,579)	\$ (322,403)
Fund Balance, July 1, 2005	1,265,119	108,675	889,626	2,263,420
<b>Fund Balance, June 30, 2006</b>	<b>\$ 1,477,619</b>	<b>\$ 115,351</b>	<b>\$ 348,047</b>	<b>\$ 1,941,017</b>

Exhibit I-5

Henderson County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Discretely Presented Henderson County School Department  
For the Year Ended June 30, 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)		\$	(322,403)
(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 difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current period	\$	1,054,628	
Less: current year depreciation expense		<u>(1,218,836)</u>	(164,208)
(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	\$	294,669	
Less: deferred delinquent property taxes and other deferred June 30, 2005		<u>(269,862)</u>	24,807
(3) The repayment of the principal of long-term debt consumes the current financial resources of governmental funds; however, there is no effect on net assets.			
Add: principal payments on capital leases			<u>57,259</u>
Change in net assets of governmental activities (Exhibit B)		\$	<u><u>(404,545)</u></u>

Exhibit I-6

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

	Special Revenue Fund	Capital Projects Funds			Total Nonmajor Governmental Funds
	School Federal Projects	Education Capital Projects	Other Capital Projects	Total	
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 213,001	\$ 71,396	\$ 1,652	\$ 73,048	\$ 286,049
Due from Other Governments	61,998	0	0	0	61,998
Total Assets	<u>\$ 274,999</u>	<u>\$ 71,396</u>	<u>\$ 1,652</u>	<u>\$ 73,048</u>	<u>\$ 348,047</u>
<u>FUND BALANCES</u>					
Reserved for Encumbrances	\$ 23,468	\$ 420	\$ 1,593	\$ 2,013	\$ 25,481
Other Federal Reserves	251,531	0	0	0	251,531
Unreserved	0	70,976	59	71,035	71,035
Total Fund Balances	<u>\$ 274,999</u>	<u>\$ 71,396</u>	<u>\$ 1,652</u>	<u>\$ 73,048</u>	<u>\$ 348,047</u>

Exhibit I-7

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

	Special	Capital Projects Funds			Total Nonmajor Governmental Funds
	Revenue Fund	School Federal Projects	Education Capital Projects	Other Capital Projects	
<u>Revenues</u>					
Other Local Revenues	\$ 0	\$ 3,398	\$ 291	\$ 3,689	\$ 3,689
Federal Government	1,873,728	0	0	0	1,873,728
Total Revenues	<u>\$ 1,873,728</u>	<u>\$ 3,398</u>	<u>\$ 291</u>	<u>\$ 3,689</u>	<u>\$ 1,877,417</u>
<u>Expenditures</u>					
Current:					
Instruction	\$ 1,503,776	\$ 0	\$ 0	\$ 0	\$ 1,503,776
Support Services	201,842	0	0	0	201,842
Capital Projects	0	573,959	132,479	706,438	706,438
Total Expenditures	<u>\$ 1,705,618</u>	<u>\$ 573,959</u>	<u>\$ 132,479</u>	<u>\$ 706,438</u>	<u>\$ 2,412,056</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 168,110</u>	<u>\$ (570,561)</u>	<u>\$ (132,188)</u>	<u>\$ (702,749)</u>	<u>\$ (534,639)</u>
<u>Other Financing Sources (Uses)</u>					
Transfers Out	\$ (6,940)	\$ 0	\$ 0	\$ 0	\$ (6,940)
Total Other Financing Sources (Uses)	<u>\$ (6,940)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (6,940)</u>
Net Change in Fund Balances	\$ 161,170	\$ (570,561)	\$ (132,188)	\$ (702,749)	\$ (541,579)
Fund Balance, July 1, 2005	113,829	641,957	133,840	775,797	889,626
Fund Balance, June 30, 2006	<u>\$ 274,999</u>	<u>\$ 71,396</u>	<u>\$ 1,652</u>	<u>\$ 73,048</u>	<u>\$ 348,047</u>

Exhibit I-8

Henderson County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Henderson County School Department  
General Purpose School Fund  
For the Year Ended June 30, 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	\$ 4,457,822	\$ 0	\$ 0	\$ 4,457,822	\$ 4,139,912	\$ 4,319,912	\$ 137,910
Licenses and Permits	2,537	0	0	2,537	2,400	2,400	137
Charges for Current Services	81,782	0	0	81,782	81,182	81,182	600
Other Local Revenues	45,306	0	0	45,306	3,000	27,851	17,455
State of Tennessee	13,990,229	0	0	13,990,229	13,966,297	14,087,156	(96,927)
Federal Government	1,041,474	0	0	1,041,474	972,284	1,047,169	(5,695)
<b>Total Revenues</b>	<b>\$ 19,619,150</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 19,619,150</b>	<b>\$ 19,165,075</b>	<b>\$ 19,565,670</b>	<b>\$ 53,480</b>
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 9,492,598	\$ (201,952)	\$ 48,854	\$ 9,339,500	\$ 9,841,224	\$ 9,356,075	\$ 16,575
Alternative Instruction Program	18,123	0	0	18,123	18,469	18,469	346
Special Education Program	1,719,492	(16,129)	9,307	1,712,670	1,692,417	1,718,049	5,379
Vocational Education Program	1,054,732	(329)	4,760	1,059,163	1,045,707	1,067,779	8,616
Adult Education Program	83,165	(1,318)	170	82,017	79,749	84,108	2,091
<u>Support Services</u>							
Attendance	67,139	0	0	67,139	67,126	67,306	167
Health Services	227,509	0	50	227,559	238,192	229,192	1,633
Other Student Support	435,170	0	0	435,170	447,017	441,017	5,847
Regular Instruction Program	724,420	(500)	13,000	736,920	733,521	733,521	(3,399)
Alternative Instruction Program	66,270	0	0	66,270	67,122	67,121	851
Special Education Program	247,325	(9,073)	6,133	244,385	244,656	244,656	271
Vocational Education Program	44,726	(2,416)	355	42,665	45,319	45,320	2,655
Adult Programs	65,882	0	0	65,882	65,890	65,890	8
Board of Education	354,977	0	30,500	385,477	311,324	389,813	4,336
Director of Schools	125,160	0	0	125,160	131,252	131,252	6,092

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	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>							
Office of the Principal	\$ 825,762	\$ 0	\$ 6,000	\$ 831,762	\$ 864,382	\$ 840,086	\$ 8,324
Fiscal Services	84,404	(107)	286	84,583	91,669	91,669	7,086
Operation of Plant	1,581,166	(291)	300	1,581,175	1,516,969	1,586,969	5,794
Maintenance of Plant	281,560	(6,725)	1,640	276,475	245,175	277,104	629
Transportation	0	0	50,000	50,000	0	50,000	0
Central and Other	11,129	0	0	11,129	11,460	11,460	331
<u>Operation of Non-Instructional Services</u>							
Food Service	1,051,369	(18,917)	0	1,032,452	1,007,435	1,053,330	20,878
<u>Capital Outlay</u>							
Regular Capital Outlay	561,054	(260,409)	391,241	691,886	100,000	704,986	13,100
<u>Principal on Debt</u>							
Education	0	0	0	0	299,000	42	42
<u>Other Debt Service</u>							
Education	290,458	0	0	290,458	0	290,458	0
Total Expenditures	\$ 19,413,590	\$ (518,166)	\$ 562,596	\$ 19,458,020	\$ 19,165,075	\$ 19,565,672	\$ 107,652
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 205,560	\$ 518,166	\$ (562,596)	\$ 161,130	\$ 0	\$ (2)	\$ 161,132
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 6,940	\$ 0	\$ 0	\$ 6,940	\$ 0	\$ 0	\$ 6,940
Total Other Financing Sources (Uses)	\$ 6,940	\$ 0	\$ 0	\$ 6,940	\$ 0	\$ 0	\$ 6,940
Net Change in Fund Balance							
Fund Balance, July 1, 2005	\$ 1,265,119	(518,166)	0	746,953	416,478	416,478	330,475
Fund Balance, June 30, 2006							
	\$ 1,477,619	\$ 0	\$ (562,596)	\$ 915,023	\$ 416,478	\$ 416,476	\$ 498,547

Exhibit I-9

Henderson County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Henderson County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 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	\$ 1,873,728	\$ 0	\$ 0	\$ 1,873,728	\$ 2,010,126	\$ 2,017,056	\$ (143,328)
Total Revenues	\$ 1,873,728	\$ 0	\$ 0	\$ 1,873,728	\$ 2,010,126	\$ 2,017,056	\$ (143,328)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 692,460	\$ 0	\$ 19,409	\$ 711,869	\$ 907,554	\$ 913,727	\$ 201,858
Special Education Program	669,590	(21,963)	306	647,933	788,847	783,826	135,893
Vocational Education Program	141,726	(42,284)	2,319	101,761	101,762	101,762	1
<u>Support Services</u>							
Health Services	1,465	0	0	1,465	4,044	4,044	2,579
Other Student Support	21,137	(3,807)	0	17,330	21,812	21,792	4,462
Regular Instruction Program	137,820	(543)	1,434	138,711	183,827	185,481	46,770
Special Education Program	41,420	0	0	41,420	41,657	46,678	5,258
Total Expenditures	\$ 1,705,618	\$ (68,597)	\$ 23,468	\$ 1,660,489	\$ 2,049,503	\$ 2,057,310	\$ 396,821
Excess (Deficiency) of Revenues Over Expenditures	\$ 168,110	\$ 68,597	\$ (23,468)	\$ 213,239	\$ (39,377)	\$ (40,254)	\$ 253,493
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (6,940)	\$ 0	\$ 0	\$ (6,940)	\$ (16,009)	\$ (16,009)	\$ 9,069
Total Other Financing Sources (Uses)	\$ (6,940)	\$ 0	\$ 0	\$ (6,940)	\$ (16,009)	\$ (16,009)	\$ 9,069
Net Change in Fund Balance	\$ 161,170	\$ 68,597	\$ (23,468)	\$ 206,299	\$ (55,386)	\$ (56,263)	\$ 262,562
Fund Balance, July 1, 2005	113,829	(68,597)	0	45,232	55,386	56,263	(11,031)
Fund Balance, June 30, 2006	\$ 274,999	\$ 0	\$ (23,468)	\$ 251,531	\$ 0	\$ 0	\$ 251,531

Exhibit I-10

Henderson County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Henderson County School Department  
School Transportation Fund  
For the Year Ended June 30, 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	\$ 882,080	\$ 0	\$ 0	\$ 882,080	\$ 876,657	\$ 876,657	\$ 5,423
Total Revenues	\$ 882,080	\$ 0	\$ 0	\$ 882,080	\$ 876,657	\$ 876,657	\$ 5,423
<u>Expenditures</u>							
<u>Support Services</u>							
Board of Education	\$ 17,344	\$ 0	\$ 0	\$ 17,344	\$ 25,000	\$ 25,000	\$ 7,656
Transportation	858,060	(1,523)	31,394	887,931	851,657	895,257	7,326
Total Expenditures	\$ 875,404	\$ (1,523)	\$ 31,394	\$ 905,275	\$ 876,657	\$ 920,257	\$ 14,982
Excess (Deficiency) of Revenues Over Expenditures	\$ 6,676	\$ 1,523	\$ (31,394)	\$ (23,195)	\$ 0	\$ (43,600)	\$ 20,405
Net Change in Fund Balance	\$ 6,676	\$ 1,523	\$ (31,394)	\$ (23,195)	\$ 0	\$ (43,600)	\$ 20,405
Fund Balance, July 1, 2005	108,675	(1,523)	0	107,152	83,428	83,428	23,724
Fund Balance, June 30, 2006	\$ 115,351	\$ 0	\$ (31,394)	\$ 83,957	\$ 83,428	\$ 39,828	\$ 44,129

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## MISCELLANEOUS SCHEDULES

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Exhibit J-1

Henderson County, Tennessee  
Schedule of Changes in Long-term Notes,  
Capital Leases, and Bonds  
Primary Government and Discretely Presented Henderson County School Department  
For the Year Ended June 30, 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>PRIMARY GOVERNMENT</b>								
<b>NOTES PAYABLE</b>								
<u>Payable through General Fund</u>								
Fire Department Trucks/Equipment	\$ 655,000	5.45%	8-9-00	8-30-05	\$ 50,000	\$ 0	\$ 50,000	\$ 0
G.O. Refunding Capital Outlay Note, Series 2005C	435,000	3.45 to 3.95	6-30-05	4-1-13	435,000	0	8,550	426,450
Total Payable through General Fund					<u>\$ 485,000</u>	<u>\$ 0</u>	<u>\$ 58,550</u>	<u>\$ 426,450</u>
<u>Payable through General Debt Service Fund</u>								
School Land and Facilities	475,000	5.45	8-9-00	8-30-05	\$ 40,000	\$ 0	\$ 40,000	\$ 0
Highway Equipment Capital Outlay Note, Series 2001	300,000	2.35 to 3.65	10-25-01	4-1-06	60,000	0	60,000	0
G.O. School Capital Outlay Note, Series 2002B	640,000	2.45 to 4.5	12-19-02	4-1-14	540,000	0	50,000	490,000
G.O. Capital Outlay Note, Series 2003	625,000	2 to 3.25	9-25-03	4-1-08	375,000	0	125,000	250,000
G.O. Capital Outlay Note, Series 2004	680,000	2.45 to 3.2	4-28-04	4-28-07	276,667	0	138,333	138,334
G.O. Capital Outlay Note, Series 2004C	355,000	2.4 to 3.15	6-24-04	6-24-07	236,667	0	118,333	118,334
G.O. Capital Outlay Note, Series 2005D	42,000	3.39	2-1-05	9-30-05	42,000	0	42,000	0
G.O. Capital Outlay Note, Series 2005	272,158	3.69 to 4.19	3-23-05	3-1-08	272,158	0	90,719	181,439
G.O. Capital Outlay Note, Series 2005A	800,000	3.45 to 4	6-30-05	4-1-17	800,000	0	25,000	775,000
G.O. Refunding Capital Outlay Note, Series 2005B	855,000	3.2 to 3.55	6-30-05	4-1-09	855,000	0	160,000	695,000
G.O. Refunding Capital Outlay Note, Series 2005C	330,000	3.45 to 3.95	6-30-05	4-1-13	330,000	0	6,450	323,550
G.O. Capital Outlay Note, Series 2005D	245,500	3.52	11-2-05	11-1-08	0	245,500	0	245,500
Total Payable through General Debt Service Fund					<u>\$ 3,827,492</u>	<u>\$ 245,500</u>	<u>\$ 855,835</u>	<u>\$ 3,217,157</u>
Total Notes Payable					<u>\$ 4,312,492</u>	<u>\$ 245,500</u>	<u>\$ 914,385</u>	<u>\$ 3,643,607</u>

(Continued)

Exhibit J-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
<b>PRIMARY GOVERNMENT (CONT.)</b>								
<b><u>BONDS PAYABLE</u></b>								
<b><u>Payable through General Debt Service Fund</u></b>								
High School Bonds	\$ 8,660,000	4.8 to 5.25%	6-1-1997	4-1-07	\$ 510,000	\$ 0	\$ 225,000	\$ 285,000
G.O. Refunding Bond Series	2,250,000	3.9 to 4.4	5-1-1998	9-1-06	205,000	0	125,000	80,000
High School Bonds	3,000,000	4.7 to 5.375	2-1-00	4-1-11	350,000	0	50,000	300,000
High School Refunding Bonds, Series 2001	8,150,000	3.5 to 5	10-11-01	4-1-17	8,060,000	0	20,000	8,040,000
G.O. School Bonds Series 2001	1,215,000	3.85 to 6	10-25-01	4-1-16	1,015,000	0	75,000	940,000
School Bonds, Series 2004	3,850,000	2 to 4.25	2-1-04	4-1-24	3,825,000	0	25,000	3,800,000
High School Refunding Bonds, Series 2004	2,840,000	2 to 3.875	4-1-04	4-1-20	2,815,000	0	30,000	2,785,000
Total Payable through General Debt Service Fund					<u>\$ 16,780,000</u>	<u>\$ 0</u>	<u>\$ 550,000</u>	<u>\$ 16,230,000</u>
<b><u>Payable through Rural Debt Service Fund</u></b>								
Rural School Bonds, Series 1997	3,560,000	4.8 to 5	6-1-1997	4-1-09	\$ 705,000	\$ 0	\$ 165,000	\$ 540,000
Rural School Bonds, Series 1997A	4,775,000	3.9 to 5.1	9-1-1997	4-1-16	3,725,000	0	200,000	3,525,000
Rural School Refunding Bonds, Series 2004	2,140,000	2 to 3.6	4-1-04	4-1-17	2,115,000	0	25,000	2,090,000
Total Payable through Rural Debt Service Fund					<u>\$ 6,545,000</u>	<u>\$ 0</u>	<u>\$ 390,000</u>	<u>\$ 6,155,000</u>
Total Bonds Payable					<u>\$ 23,325,000</u>	<u>\$ 0</u>	<u>\$ 940,000</u>	<u>\$ 22,385,000</u>
<b><u>DISCRETELY PRESENTED HENDERSON COUNTY SCHOOL DEPARTMENT</u></b>								
<b><u>CAPITAL LEASES PAYABLE</u></b>								
<b><u>Payable through General Purpose School Fund</u></b>								
Heating and Cooling Equipment	492,199	5.22	7-1-1999	2-1-06	\$ 57,259	\$ 0	\$ 57,259	\$ 0
Total Capital Leases Payable					<u>\$ 57,259</u>	<u>\$ 0</u>	<u>\$ 57,259</u>	<u>\$ 0</u>

Exhibit J-2

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

Year Ending June 30	General Debt Service Fund		Rural Debt Service Fund		Total Requirements
	Bond Requirements	Interest Requirements	Bond Requirements	Interest Requirements	
2007	\$ 570,000	\$ 685,108	\$ 420,000	\$ 266,907	\$ 1,942,015
2008	725,000	661,597	455,000	247,332	2,088,929
2009	785,000	630,107	495,000	226,180	2,136,287
2010	995,000	599,776	555,000	202,843	2,352,619
2011	1,115,000	555,727	585,000	181,168	2,436,895
2012	1,180,000	512,062	640,000	157,263	2,489,325
2013	1,260,000	463,698	670,000	130,063	2,523,761
2014	1,360,000	411,116	725,000	101,218	2,597,334
2015	1,485,000	351,899	760,000	69,105	2,666,004
2016	1,605,000	287,026	570,000	34,830	2,496,856
2017	1,665,000	213,960	280,000	10,080	2,169,040
2018	715,000	138,128	0	0	853,128
2019	775,000	111,656	0	0	886,656
2020	775,000	81,931	0	0	856,931
2021	285,000	51,556	0	0	336,556
2022	300,000	39,587	0	0	339,587
2023	310,000	26,987	0	0	336,987
2024	325,000	13,813	0	0	338,813
Total	\$ 16,230,000	\$ 5,835,734	\$ 6,155,000	\$ 1,626,989	\$ 29,847,723

Exhibit J-3

Henderson County, Tennessee  
Schedule of Transfers  
Discretely Presented Henderson County School Department  
For the Year Ended June 30, 2006

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 6,940</u>
Total Transfers			<u><u>\$ 6,940</u></u>

Exhibit J-4

Henderson County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Primary Government and Discretely Presented Henderson 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>	\$ 65,424 (1)	\$ 50,000	State Automobile Mutual Insurance Company
Road Supervisor	Section 8-24-102, <u>TCA</u>	59,452	100,000	Western Surety Company
Director of Schools	State Board of Education and County Commission	84,568 (2)	50,000	"
Trustee	Section 8-24-102, <u>TCA</u> , and County Commission	55,548 (1)	635,845	State Automobile Mutual Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	54,048	25,000	Western Surety Company
Director of Finance	County Commission	54,047	50,000	"
County Clerk	Section 8-24-102, <u>TCA</u> , and County Commission	55,548 (1)	50,000	State Automobile Mutual Insurance Company
Circuit Court Clerk	Section 8-24-102, <u>TCA</u> , and County Commission	60,953 (1,3)	100,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and County Commission	60,953 (1,3)	100,000	"
Register	Section 8-24-102, <u>TCA</u>	54,048	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	59,971 (4)	25,000	"
Employee Dishonesty Coverage:				
General County Employees			150,000	Local Government Insurance Pool
Education Employees			150,000	Tennessee School Boards Risk Management Trust

- (1) Includes certified public administrator supplement of \$1,500.
- (2) Includes chief executive officer training supplement of \$1,000.
- (3) Includes additional compensation for multiple courts of \$5,405.
- (4) Includes law enforcement training supplement of \$519.

Exhibit J-5

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

	Special Revenue Funds					Debt Service Funds		Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service	General Capital Projects	
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 2,610,789	\$ 288,869	\$ 0	\$ 0	\$ 161,162	\$ 1,321,628	\$ 0	\$ 0	\$ 4,382,448
Trustee's Collections - Prior Year	84,995	11,373	0	0	5,889	74,370	0	0	176,627
Circuit/Clerk & Master Collections - Prior Years	26,732	2,836	0	0	2,016	25,554	0	0	57,138
Interest and Penalty	19,329	2,320	0	0	1,295	14,718	0	0	37,662
Payments in-Lieu-of Taxes - Local Utilities	34,929	3,881	0	0	2,156	17,680	0	0	58,646
<u>County Local Option Taxes</u>									
Local Option Sales Tax	62,178	0	0	0	0	0	515,953	0	578,131
Hotel/Motel Tax	90,757	0	0	0	0	0	0	0	90,757
Litigation Tax - General	199,212	0	0	0	0	0	0	0	199,212
Business Tax	177,668	0	0	0	0	0	0	0	177,668
<u>Statutory Local Taxes</u>									
Bank Excise Tax	41,638	4,627	0	0	2,570	21,076	0	0	69,911
Wholesale Beer Tax	60,177	0	0	0	0	0	0	0	60,177
Interstate Telecommunications Tax	2,379	0	0	0	0	0	529	0	2,908
<b>Total Local Taxes</b>	<b>\$ 3,410,783</b>	<b>\$ 313,906</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 175,088</b>	<b>\$ 1,475,026</b>	<b>\$ 516,482</b>	<b>\$ 0</b>	<b>\$ 5,891,285</b>
<u>Licenses and Permits</u>									
<u>Permits</u>									
Beer Permits	\$ 1,330	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,330
<b>Total Licenses and Permits</b>	<b>\$ 1,330</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,330</b>
<u>Fines, Forfeitures, and Penalties</u>									
<u>Circuit Court</u>									
Fines	\$ 23,759	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 23,759
Officers Costs	528	0	0	0	0	0	0	0	528
Game and Fish Fines	7	0	0	0	0	0	0	0	7
Drug Control Fines	5,839	0	18,420	0	0	0	0	0	24,259
DUI Treatment Fines	95	0	0	0	0	0	0	0	95
<u>General Sessions Court</u>									
Fines	90,724	0	0	0	0	0	0	0	90,724
Officers Costs	32,755	0	0	0	0	0	0	0	32,755
Game and Fish Fines	281	0	0	0	0	0	0	0	281

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Funds		Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service	General Capital Projects	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>									
<u>General Sessions Court (Cont.)</u>									
Drug Control Fines	\$ 17,505	\$ 0	\$ 9,214	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 26,719
Jail Fees	1,082	0	0	0	0	0	0	0	1,082
DUI Treatment Fines	5,700	0	0	0	0	0	0	0	5,700
<u>Juvenile Court</u>									
Fines	3,350	0	0	0	0	0	0	0	3,350
Jail Fees	301	0	0	0	0	0	0	0	301
<u>Chancery Court</u>									
Officers Costs	550	0	0	0	0	0	0	0	550
<u>Judicial District Drug Program</u>									
Drug Task Force Forfeitures and Seizures	0	0	191,361	0	0	0	0	0	191,361
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 182,476</b>	<b>\$ 0</b>	<b>\$ 218,995</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 401,471</b>
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Work Release Charges for Board	\$ 1,520	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,520
<u>Fees</u>									
Copy Fees	1,111	0	0	0	0	0	0	0	1,111
Telephone Commissions	22,514	0	0	0	0	0	0	0	22,514
Vending Machine Collections	2,250	0	0	0	0	0	0	0	2,250
Constitutional Officers' Fees and Commissions	0	0	0	864,709	0	0	0	0	864,709
Data Processing Fee - Register	11,556	0	0	0	0	0	0	0	11,556
Data Processing Fee - Sheriff	12,749	0	0	0	0	0	0	0	12,749
Sexual Offender Registration Fees - Sheriff	1,375	0	0	0	0	0	0	0	1,375
<b>Total Charges for Current Services</b>	<b>\$ 53,075</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 864,709</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 917,784</b>
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 90,621	\$ 0	\$ 0	\$ 0	\$ 0	\$ 151,833	\$ 30,504	\$ 0	\$ 272,958
Lease/Rentals	50	0	0	0	0	0	0	0	50
Sale of Materials and Supplies	416	0	0	0	20,000	0	0	0	20,416
Sale of Recycled Materials	0	22,718	0	0	0	0	0	0	22,718
Miscellaneous Refunds	14,298	0	0	0	18,898	142	0	0	33,338

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Funds		Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service	General Capital Projects	
<u>Other Local Revenues (Cont.)</u>									
<u>Nonrecurring Items</u>									
Damages Recovered from Individuals	\$ 210	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	210
<u>Other Local Revenues</u>									
Other Local Revenues	1,676	0	0	0	0	0	0	0	1,676
<b>Total Other Local Revenues</b>	<b>\$ 107,271</b>	<b>\$ 22,718</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 38,898</b>	<b>\$ 151,975</b>	<b>\$ 30,504</b>	<b>\$ 0</b>	<b>\$ 351,366</b>
<u>Fees Received from County Officials</u>									
<u>Excess Fees</u>									
County Clerk	\$ 15,050	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	15,050
Circuit Court Clerk	110,067	0	0	0	0	0	0	0	110,067
Clerk and Master	50,000	0	0	0	0	0	0	0	50,000
Trustee	146,361	0	0	0	0	0	0	0	146,361
<u>Fees-In-Lieu of Salary</u>									
Register	139,116	0	0	0	0	0	0	0	139,116
Sheriff	9,974	0	0	0	0	0	0	0	9,974
<b>Total Fees Received from County Officials</b>	<b>\$ 470,568</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 470,568</b>
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 9,700	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	9,700
State Reappraisal Grant	11,787	0	0	0	0	0	0	0	11,787
<u>Health and Welfare Grants</u>									
Health Department Programs	50,606	0	0	0	0	0	0	0	50,606
<u>Public Works Grants</u>									
Bridge Program	0	0	0	0	203,417	0	0	0	203,417
State Aid Program	0	0	0	0	172,871	0	0	0	172,871
Litter Program	40,201	0	0	0	0	0	0	0	40,201
<u>Other State Revenues</u>									
Income Tax	53,422	0	0	0	0	0	0	0	53,422
Beer Tax	17,212	0	0	0	0	0	0	0	17,212
Alcoholic Beverage Tax	39,827	0	0	0	0	0	0	0	39,827
Mixed Drink Tax	3,550	0	0	0	0	0	0	0	3,550
Contracted Prisoner Boarding	153,433	0	0	0	0	0	0	0	153,433

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Funds		Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service	General Capital Projects	
<u>State of Tennessee (Cont.)</u>									
<u>Other State Revenues (Cont.)</u>									
Gasoline and Motor Fuel Tax	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,762,394	\$ 0	\$ 0	\$ 0	\$ 1,762,394
Petroleum Special Tax	0	0	0	0	20,531	0	0	0	20,531
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	16,380
Other State Grants	514,889	167,856	0	0	0	0	0	0	682,745
Other State Revenues	26,354	0	0	0	0	0	0	30,000	56,354
<b>Total State of Tennessee</b>	<b>\$ 937,361</b>	<b>\$ 167,856</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,159,213</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 30,000</b>	<b>\$ 3,294,430</b>
<u>Federal Government</u>									
<u>Federal Through State</u>									
Homeland Security Grants	\$ 184,021	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 184,021
Other Federal through State	1,000	0	0	0	0	0	0	0	1,000
<u>Direct Federal Revenue</u>									
Public Safety Partnership and Community Policing - COPS	131,725	0	0	0	0	0	0	0	131,725
<b>Total Federal Government</b>	<b>\$ 316,746</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 316,746</b>
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 290,458	\$ 0	\$ 290,458
Contracted Services	138,000	0	0	0	0	0	0	0	138,000
<u>Other</u>									
Other	96,716	0	0	0	0	0	0	0	96,716
<b>Total Other Governments and Citizens Groups</b>	<b>\$ 234,716</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 290,458</b>	<b>\$ 0</b>	<b>\$ 525,174</b>
<b>Total</b>	<b>\$ 5,714,326</b>	<b>\$ 504,480</b>	<b>\$ 218,995</b>	<b>\$ 864,709</b>	<b>\$ 2,373,199</b>	<b>\$ 1,627,001</b>	<b>\$ 837,444</b>	<b>\$ 30,000</b>	<b>\$ 12,170,154</b>

Exhibit J-6

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

	General Purpose School	School Federal Projects	School Transpor- tation	Education Capital Projects	Other Capital Projects	Total
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 1,724,202	\$ 0	\$ 805,831	\$ 0	\$ 0	\$ 2,530,033
Trustee's Collections - Prior Year	73,776	0	33,876	0	0	107,652
Circuit/Clerk & Master Collections - Prior Years	20,737	0	11,572	0	0	32,309
Interest and Penalty	14,983	0	7,170	0	0	22,153
Payments in-Lieu-of Taxes - T.V.A.	366	0	0	0	0	366
Payments in-Lieu-of Taxes - Local Utilities	23,081	0	10,780	0	0	33,861
<u>County Local Option Taxes</u>						
Local Option Sales Tax	2,210,018	0	0	0	0	2,210,018
Wheel Tax	359,683	0	0	0	0	359,683
<u>Statutory Local Taxes</u>						
Bank Excise Tax	27,506	0	12,851	0	0	40,357
Interstate Telecommunications Tax	3,470	0	0	0	0	3,470
Total Local Taxes	\$ 4,457,822	\$ 0	\$ 882,080	\$ 0	\$ 0	\$ 5,339,902
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 2,072	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,072
<u>Permits</u>						
Other Permits	465	0	0	0	0	465
Total Licenses and Permits	\$ 2,537	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,537
<u>Charges for Current Services</u>						
<u>Education Charges</u>						
Tuition - Regular Day Students	\$ 600	\$ 0	\$ 0	\$ 0	\$ 0	\$ 600
Contract for Instructional Services with Other LEAs	81,182	0	0	0	0	81,182
Total Charges for Current Services	\$ 81,782	\$ 0	\$ 0	\$ 0	\$ 0	\$ 81,782
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 0	\$ 3,398	\$ 291	\$ 3,689
Lease/Rentals	4,065	0	0	0	0	4,065
Miscellaneous Refunds	1,034	0	0	0	0	1,034
<u>Nonrecurring Items</u>						
Contributions & Gifts	23,889	0	0	0	0	23,889

(Continued)

Exhibit J-6

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

	General Purpose School	School Federal Projects	School Transpor - tation	Education Capital Projects	Other Capital Projects	Total
<u>Other Local Revenues (Cont.)</u>						
<u>Other Local Revenues</u>						
Other Local Revenues	\$ 16,318	\$ 0	\$ 0	\$ 0	\$ 0	\$ 16,318
Total Other Local Revenues	\$ 45,306	\$ 0	\$ 0	\$ 3,398	\$ 291	\$ 48,995
<u>State of Tennessee</u>						
<u>State Education Funds</u>						
Basic Education Program	\$ 13,050,857	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,050,857
School Food Service	19,950	0	0	0	0	19,950
Driver Education	14,168	0	0	0	0	14,168
Other State Education Funds	33,300	0	0	0	0	33,300
Career Ladder Program	214,510	0	0	0	0	214,510
Career Ladder - Extended Contract	120,922	0	0	0	0	120,922
<u>Other State Revenues</u>						
Mixed Drink Tax	2,786	0	0	0	0	2,786
State Revenue Sharing - T.V.A.	501,545	0	0	0	0	501,545
Other State Grants	32,191	0	0	0	0	32,191
Total State of Tennessee	\$ 13,990,229	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,990,229
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA School Lunch Program	\$ 602,917	\$ 0	\$ 0	\$ 0	\$ 0	\$ 602,917
Breakfast	252,978	0	0	0	0	252,978
Adult Education State Grant Program	112,275	0	0	0	0	112,275
Vocational Education - Basic Grants to States	0	114,762	0	0	0	114,762
Title I Grants to Local Education Agencies	0	714,806	0	0	0	714,806
Innovative Education Program Strategies	0	16,562	0	0	0	16,562
Special Education - Grants to States	25,632	784,682	0	0	0	810,314
Special Education Preschool Grants	0	26,644	0	0	0	26,644
Eisenhower Professional Development State Grants	0	171,369	0	0	0	171,369
Other Federal through State	0	44,903	0	0	0	44,903
<u>Direct Federal Revenue</u>						
ROTC Reimbursement	47,672	0	0	0	0	47,672
Total Federal Government	\$ 1,041,474	\$ 1,873,728	\$ 0	\$ 0	\$ 0	\$ 2,915,202
Total	\$ 19,619,150	\$ 1,873,728	\$ 882,080	\$ 3,398	\$ 291	\$ 22,378,647

Henderson 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	\$	49,200	
Social Security		3,050	
Unemployment Compensation		48	
Employer Medicare		713	
Audit Services		5,838	
Total County Commission			\$ 58,849

Board of Equalization

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

County Mayor/Executive

County Official/Administrative Officer	\$	65,424	
Secretary(ies)		20,000	
Social Security		4,876	
State Retirement		6,963	
Medical Insurance		5,242	
Unemployment Compensation		124	
Employer Medicare		1,140	
Communication		6,026	
Legal Notices, Recording, and Court Costs		380	
Postal Charges		228	
Travel		266	
Office Supplies		749	
Other Charges		353	
Total County Mayor/Executive			111,771

County Attorney

Social Security	\$	298	
Unemployment Compensation		96	
Employer Medicare		70	
Dues and Memberships		100	
Legal Services		4,800	
Travel		997	
Total County Attorney			6,361

Election Commission

County Official/Administrative Officer	\$	45,941	
Clerical Personnel		20,031	
Part-time Personnel		3,408	

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Election Commission	\$	3,638	
Election Workers		9,280	
In-Service Training		2,152	
Social Security		4,355	
State Retirement		6,147	
Medical Insurance		3,785	
Unemployment Compensation		421	
Employer Medicare		1,019	
Communication		1,203	
Dues and Memberships		150	
Legal Notices, Recording, and Court Costs		969	
Maintenance Agreements		791	
Postal Charges		632	
Printing, Stationery, and Forms		429	
Rentals		7,200	
Other Contracted Services		1,725	
Office Supplies		769	
Other Supplies and Materials		20,920	
Office Equipment		198,000	
Total Election Commission			\$ 332,965

Register of Deeds

County Official/Administrative Officer	\$	54,048	
Secretary(ies)		39,785	
Part-time Personnel		1,000	
Social Security		5,701	
State Retirement		7,911	
Medical Insurance		1,892	
Unemployment Compensation		379	
Employer Medicare		1,333	
Communication		1,752	
Data Processing Services		4,980	
Dues and Memberships		15	
Maintenance Agreements		1,920	
Postal Charges		729	
Office Supplies		3,977	
Other Charges		420	
Office Equipment		4,312	
Total Register of Deeds			130,154

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

County Buildings

Custodial Personnel	\$	19,000	
Social Security		1,178	
State Retirement		1,835	
Unemployment Compensation		140	
Employer Medicare		276	
Licenses		150	
Maintenance & Repair Services - Buildings		2,778	
Maintenance & Repair Services - Equipment		13,506	
Maintenance & Repair Services - Vehicles		49	
Pest Control		876	
Custodial Supplies		4,105	
Electricity		41,736	
Gasoline		2,734	
Natural Gas		8,385	
Water and Sewer		2,784	
Building Improvements		1,681	
Total County Buildings			\$ 101,213

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	54,047	
Accountants/Bookkeepers		102,208	
Social Security		8,592	
State Retirement		15,094	
Medical Insurance		17,782	
Unemployment Compensation		672	
Employer Medicare		2,009	
Communication		4,696	
Data Processing Services		6,899	
Legal Notices, Recording, and Court Costs		235	
Maintenance Agreements		3,902	
Postal Charges		2,673	
Printing, Stationery, and Forms		3,564	
Rentals		13,200	
Travel		1,417	
Office Supplies		2,007	
Other Supplies and Materials		27	
Premiums on Corporate Surety Bonds		175	
Other Charges		1,040	
Total Accounting and Budgeting			240,239

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office

County Official/Administrative Officer	\$	54,048	
Clerical Personnel		43,260	
Part-time Personnel		15,126	
Social Security		6,599	
State Retirement		9,197	
Medical Insurance		5,677	
Unemployment Compensation		354	
Employer Medicare		1,543	
Communication		1,491	
Contracts with Private Agencies		27,410	
Data Processing Services		9,521	
Dues and Memberships		1,161	
Legal Notices, Recording, and Court Costs		100	
Maintenance Agreements		3,408	
Postal Charges		786	
Travel		1,186	
Office Supplies		586	
Premiums on Corporate Surety Bonds		100	
Office Equipment		512	
Total Property Assessor's Office	\$		182,065

Reappraisal Program

Other Salaries & Wages	\$	25,588	
Social Security		1,586	
State Retirement		2,472	
Unemployment Compensation		140	
Employer Medicare		371	
Data Processing Services		2,899	
Postal Charges		800	
Travel		3,075	
Total Reappraisal Program			36,931

County Trustee's Office

Communication	\$	1,716	
Data Processing Services		5,020	
Legal Notices, Recording, and Court Costs		256	
Maintenance Agreements		432	
Postal Charges		5,853	
Printing, Stationery, and Forms		1,437	
Office Supplies		1,481	

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Office Equipment	\$ 520	
Total County Trustee's Office		\$ 16,715

County Clerk's Office

Communication	\$ 4,046	
Data Processing Services	13,299	
Legal Notices, Recording, and Court Costs	393	
Maintenance Agreements	3,638	
Maintenance & Repair Services - Office Equipment	100	
Postal Charges	5,500	
Office Supplies	3,078	
Office Equipment	500	
Total County Clerk's Office		30,554

Administration of Justice

Circuit Court

Other Salaries & Wages	\$ 15,253	
Board and Committee Members Fees	225	
Jury and Witness Fees	1,845	
Social Security	911	
State Retirement	503	
Medical Insurance	824	
Unemployment Compensation	171	
Employer Medicare	213	
Communication	3,555	
Dues and Memberships	443	
Legal Notices, Recording, and Court Costs	1,541	
Maintenance Agreements	5,462	
Maintenance & Repair Services - Office Equipment	128	
Postal Charges	3,450	
Office Supplies	10,212	
Total Circuit Court		44,736

General Sessions Court

Judge(s)	\$ 84,212
Secretary(ies)	22,763
Social Security	6,376
State Retirement	8,675
Medical Insurance	5,289
Unemployment Compensation	126

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

Employer Medicare	\$	1,491	
Communication		1,475	
Dues and Memberships		200	
Other Contracted Services		314	
Office Supplies		439	
Total General Sessions Court			\$ 131,360

Chancery Court

Communication	\$	2,311	
Data Processing Services		4,953	
Dues and Memberships		791	
Legal Notices, Recording, and Court Costs		1,134	
Maintenance Agreements		1,341	
Maintenance & Repair Services - Office Equipment		140	
Postal Charges		2,988	
Office Supplies		5,527	
Office Equipment		798	
Total Chancery Court			19,983

Juvenile Court

Guidance Personnel	\$	27,999	
Part-time Personnel		2,231	
In-Service Training		864	
Social Security		1,783	
State Retirement		2,920	
Medical Insurance		2,271	
Unemployment Compensation		140	
Employer Medicare		417	
Communication		2,071	
Contracts with Other Public Agencies		2,870	
Travel		1,089	
Office Supplies		617	
Total Juvenile Court			45,272

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	59,452	
Deputy(ies)		682,593	
Salary Supplements		519	
Clerical Personnel		42,843	

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Part-time Personnel	\$	411	
In-Service Training		8,749	
Social Security		48,407	
State Retirement		62,677	
Medical Insurance		8,894	
Unemployment Compensation		3,984	
Employer Medicare		11,321	
Communication		28,822	
Dues and Memberships		300	
Legal Notices, Recording, and Court Costs		452	
Maintenance Agreements		9,336	
Maintenance & Repair Services - Equipment		22,359	
Maintenance & Repair Services - Vehicles		16,274	
Postal Charges		2,909	
Tow-in Services		65	
Travel		2,745	
Gasoline		76,449	
Office Supplies		6,420	
Tires and Tubes		4,795	
Uniforms		9,717	
Other Charges		1,989	
Office Equipment		93,538	
Total Sheriff's Department			\$ 1,206,020

Workhouse

Guards	\$	191,351
Cafeteria Personnel		14,314
Part-time Personnel		395
Social Security		12,309
State Retirement		13,856
Medical Insurance		189
Unemployment Compensation		1,742
Employer Medicare		2,879
Contracts with Government Agencies		6,920
Maintenance Agreements		6,181
Maintenance & Repair Services - Buildings		33,136
Maintenance & Repair Services - Equipment		3,881
Medical and Dental Services		73,946
Pest Control		444
Custodial Supplies		20,000

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Workhouse (Cont.)

Drugs and Medical Supplies	\$	22,295	
Electricity		17,800	
Food Supplies		53,195	
Natural Gas		6,998	
Water and Sewer		12,404	
Furniture and Fixtures		889	
Total Workhouse			\$ 495,124

Fire Prevention and Control

County Official/Administrative Officer	\$	39,078	
Assistant(s)		14,815	
Part-time Personnel		600	
In-Service Training		2,768	
Social Security		3,235	
State Retirement		4,645	
Medical Insurance		3,785	
Unemployment Compensation		250	
Employer Medicare		757	
Communication		3,391	
Dues and Memberships		250	
Maintenance & Repair Services - Buildings		430	
Maintenance & Repair Services - Equipment		13,489	
Maintenance & Repair Services - Vehicles		7,836	
Postal Charges		611	
Travel		518	
Drugs and Medical Supplies		122	
Gasoline		10,077	
Instructional Supplies and Materials		868	
Office Supplies		861	
Uniforms		436	
Utilities		1,493	
Other Supplies and Materials		835	
Trustee's Commission		484	
Other Equipment		217,902	
Total Fire Prevention and Control			329,536

Civil Defense

Communication	\$	1,083	
Maintenance & Repair Services - Vehicles		282	
Postal Charges		39	

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense (Cont.)

Travel	\$	136	
Gasoline		244	
Office Supplies		1,301	
Motor Vehicles		2,500	
Office Equipment		1,023	
Total Civil Defense			\$ 6,608

Rescue Squad

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

Disaster Relief

Part-time Personnel	\$	9,073	
Social Security		563	
Unemployment Compensation		179	
Employer Medicare		132	
Total Disaster Relief			9,947

County Coroner/Medical Examiner

Other Per Diem & Fees	\$	41,460	
Ambulance Services		3,600	
Total County Coroner/Medical Examiner			45,060

Other Public Safety

County Official/Administrative Officer	\$	31,663	
Supervisor/Director		4,700	
Dispatchers/Radio Operators		133,421	
Clerical Personnel		26,552	
Part-time Personnel		25,196	
Other Salaries & Wages		12,607	
In-Service Training		1,443	
Social Security		14,141	
State Retirement		17,823	
Medical Insurance		15,897	
Employer Medicare		3,307	
Maintenance & Repair Services - Equipment		2,429	
Total Other Public Safety			289,179

(Continued)

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

General Fund (Cont.)

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	4,540	
Other Salaries & Wages		47,128	
Social Security		2,887	
State Retirement		3,082	
Unemployment Compensation		496	
Employer Medicare		675	
Communication		4,384	
Maintenance & Repair Services - Buildings		351	
Maintenance & Repair Services - Equipment		269	
Postal Charges		540	
Travel		2,262	
Other Contracted Services		1,796	
Custodial Supplies		1,766	
Drugs and Medical Supplies		999	
Office Supplies		2,449	
Utilities		7,040	
Building Improvements		331,892	
Total Local Health Center			\$ 412,556

Other Local Health Services

Contributions	\$	2,000	
Total Other Local Health Services			2,000

Appropriation to State

Contracts with Government Agencies	\$	8,590	
Total Appropriation to State			8,590

General Welfare Assistance

Contracts with Government Agencies	\$	5,125	
Total General Welfare Assistance			5,125

Aid to Dependent Children

Other Charges	\$	307	
Total Aid to Dependent Children			307

Waste Pickup

Supervisor/Director	\$	10,391	
Part-time Personnel		22,687	
Social Security		2,507	
State Retirement		3,076	

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Waste Pickup (Cont.)

Unemployment Compensation	\$	328	
Employer Medicare		726	
Advertising		2,501	
Communication		611	
Maintenance & Repair Services - Vehicles		169	
Printing, Stationery, and Forms		1,890	
Gasoline		4,353	
Instructional Supplies and Materials		2,230	
Tires and Tubes		457	
Other Supplies and Materials		300	
Other Charges		878	
Total Waste Pickup			\$ 53,104

Social, Cultural, and Recreational Services

Adult Activities

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

Senior Citizens Assistance

Contributions	\$	15,500	
Total Senior Citizens Assistance			15,500

Libraries

Contributions	\$	32,500	
Utilities		4,000	
Building and Contents Insurance		3,226	
Total Libraries			39,726

Other Social, Cultural, and Recreational

Contributions	\$	13,805	
Total Other Social, Cultural, and Recreational			13,805

Agriculture & Natural Resources

Agriculture Extension Service

Assistant(s)	\$	20,227	
Supervisor/Director		12,687	
Secretary(ies)		10,507	
Other Salaries & Wages		5,910	
Social Security		275	
Unemployment Compensation		89	

(Continued)

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

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Agriculture Extension Service (Cont.)

Employer Medicare	\$	64	
Communication		4,381	
Maintenance Agreements		4,765	
Postal Charges		136	
Travel		629	
Custodial Supplies		1,735	
Utilities		5,399	
Other Charges		600	
Total Agriculture Extension Service			\$ 67,404

Soil Conservation

Secretary(ies)	\$	5,815	
Social Security		353	
State Retirement		388	
Unemployment Compensation		36	
Employer Medicare		82	
Contributions		2,250	
Dues and Memberships		750	
Total Soil Conservation			9,674

Flood Control

Contributions	\$	4,752	
Other Contracted Services		2,024	
Total Flood Control			6,776

Other Operations

Tourism

Contributions	\$	7,000	
Other Charges		16,000	
Total Tourism			23,000

Industrial Development

Contributions	\$	7,000	
Other Charges		35,815	
Total Industrial Development			42,815

Veterans' Services

Supervisor/Director	\$	10,424	
Secretary(ies)		18,540	
In-Service Training		572	

(Continued)

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services (Cont.)

Social Security	\$	1,511	
State Retirement		2,798	
Medical Insurance		4,542	
Unemployment Compensation		271	
Employer Medicare		353	
Communication		1,027	
Postal Charges		270	
Office Supplies		664	
Total Veterans' Services			\$ 40,972

Other Charges

Building and Contents Insurance	\$	37,437	
Liability Insurance		58,407	
Vehicle and Equipment Insurance		86,167	
Workers' Compensation Insurance		45,944	
Total Other Charges			227,955

Contributions to Other Agencies

Contributions	\$	60,000	
Total Contributions to Other Agencies			60,000

Employee Benefits

State Retirement	\$	75,345	
Unemployment Compensation		4,739	
Total Employee Benefits			80,084

Payments to Cities

Rentals	\$	20,240	
Total Payments to Cities			20,240

Miscellaneous

Dues and Memberships	\$	8,742	
Legal Notices, Recording, and Court Costs		156	
Maintenance Agreements		4,920	
Office Supplies		53	
Road Signs		207	
Premiums on Corporate Surety Bonds		412	
Trustee's Commission		64,135	
Other Charges		25	
Airport Improvement		283,350	

(Continued)

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous (Cont.)

Building Improvements	\$ 25,687	
Total Miscellaneous		\$ 387,687

Principal on Debt

General Government

Principal on Notes	\$ 58,550	
Total General Government		58,550

Interest on Debt

General Government

Interest on Notes	\$ 13,641	
Total General Government		<u>13,641</u>

Total General Fund		\$ 5,476,985
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Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Education/Information

Supervisor/Director	\$ 14,200	
Part-time Personnel	95,856	
Social Security	7,311	
State Retirement	3,532	
Employer Medicare	1,564	
Communication	6,505	
Contracts with Private Agencies	137,488	
Legal Notices, Recording, and Court Costs	313	
Maintenance Agreements	432	
Maintenance & Repair Services - Buildings	345	
Maintenance & Repair Services - Equipment	8,613	
Maintenance & Repair Services - Vehicles	2,202	
Travel	695	
Gasoline	418	
Office Supplies	149	
Tires and Tubes	21,819	
Utilities	8,541	
Other Supplies and Materials	205	
Trustee's Commission	6,193	
Landfill Closure/Postclosure Care Costs	2,706	
Other Charges	1,695	
Total Sanitation Education/Information		<u>\$ 320,782</u>

Total Solid Waste/Sanitation Fund		320,782
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(Continued)

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

Drug Control Fund

Public Safety

Drug Enforcement

Other Salaries & Wages	\$	16,071	
In-Service Training		7,674	
Communication		1,514	
Confidential Drug Enforcement Payments		2,500	
Maintenance & Repair Services - Equipment		24,818	
Maintenance & Repair Services - Vehicles		13,806	
Tow-in Services		2,448	
Animal Food and Supplies		7,875	
Office Supplies		647	
Uniforms		5,171	
Trustee's Commission		276	
Other Charges		68,782	
Furniture and Fixtures		4,938	
Law Enforcement Equipment		13,425	
Motor Vehicles		2,800	
Office Equipment		9,069	
Total Drug Enforcement			\$ 181,814

Total Drug Control Fund \$ 181,814

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	152,583	
Total County Trustee's Office			\$ 152,583

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	170,452	
Total County Clerk's Office			170,452

Administration of Justice

Circuit Court Clerk

Constitutional Officers' Operating Expenses	\$	274,523	
Total Circuit Court Clerk			274,523

Chancery Court

Constitutional Officers' Operating Expenses	\$	191,666	
Total Chancery Court			191,666

Total Constitutional Officers - Fees Fund 789,224

(Continued)

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	59,452	
Secretary(ies)		20,714	
Social Security		5,804	
State Retirement		6,573	
Unemployment Compensation		210	
Employer Medicare		294	
Dues and Memberships		2,443	
Legal Notices, Recording, and Court Costs		787	
Maintenance & Repair Services - Office Equipment		170	
Postal Charges		74	
Office Supplies		473	
Premiums on Corporate Surety Bonds		350	
Other Charges		517	
Total Administration			\$ 97,861

Highway and Bridge Maintenance

Foremen	\$	15,771	
Equipment Operators		195,038	
Truck Drivers		148,009	
Laborers		107,038	
Overtime Pay		100	
Social Security		28,530	
State Retirement		34,296	
Medical Insurance		139,305	
Unemployment Compensation		6,273	
Employer Medicare		6,672	
Evaluation and Testing		720	
Medical and Dental Services		838	
Asphalt - Cold Mix		6,647	
Asphalt - Liquid		305,327	
Crushed Stone		185,444	
Pipe		16,970	
Road Signs		1,024	
Wood Products		3,956	
Total Highway and Bridge Maintenance			1,201,958

Operation and Maintenance of Equipment

Foremen	\$	29,448	
Mechanic(s)		22,375	
Overtime Pay		33	

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Social Security	\$	3,215	
Medical Insurance		9,600	
Unemployment Compensation		420	
Employer Medicare		752	
Laundry Service		2,803	
Maintenance & Repair Services - Equipment		39,250	
Diesel Fuel		176,056	
Equipment and Machinery Parts		100,906	
Gasoline		23,262	
Lubricants		10,260	
Tires and Tubes		43,405	
Other Supplies and Materials		2,317	
Total Operation and Maintenance of Equipment	\$		464,102

Other Charges

Communication	\$	4,205	
Electricity		4,816	
Natural Gas		5,114	
Water and Sewer		504	
Liability Insurance		32,075	
Trustee's Commission		21,340	
Workers' Compensation Insurance		40,121	
Total Other Charges			108,175

Employee Benefits

Employee and Dependent Insurance	\$	20,821	
Unemployment Compensation		189	
Total Employee Benefits			21,010

Capital Outlay

Bridge Construction	\$	239,233	
Highway Equipment		8,300	
State Aid Projects		227,484	
Total Capital Outlay			475,017

Total Highway/Public Works Fund \$ 2,368,123

(Continued)

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

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$ 496,038	
Total General Government		\$ 496,038

Education

Principal on Bonds	\$ 550,000	
Principal on Notes	<u>359,797</u>	
Total Education		909,797

Interest on Debt

General Government

Interest on Notes	\$ 25,863	
Total General Government		25,863

Education

Interest on Bonds	\$ 708,105	
Interest on Notes	<u>84,686</u>	
Total Education		792,791

Other Debt Service

Education

Fiscal Agent Charges	\$ 3,912	
Trustee's Commission	<u>30,547</u>	
Total Education		<u>34,459</u>

Total General Debt Service Fund		\$ 2,258,948
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Rural Debt Service Fund

Principal on Debt

Education

Principal on Bonds	\$ 390,000	
Total Education		\$ 390,000

Interest on Debt

Education

Interest on Bonds	\$ 284,858	
Total Education		284,858

Other Debt Service

Education

Fiscal Agent Charges	\$ 863	
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(Continued)

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

<u>Rural Debt Service Fund (Cont.)</u>		
<u>Other Debt Service (Cont.)</u>		
<u>Education (Cont.)</u>		
Trustee's Commission	\$ 5,431	
Total Education		\$ 6,294
Total Rural Debt Service Fund		\$ 681,152
 <u>General Capital Projects Fund</u>		
<u>Public Health and Welfare</u>		
<u>Local Health Center</u>		
Building Improvements	\$ 142,822	
Total Local Health Center		\$ 142,822
Total General Capital Projects Fund		<u>142,822</u>
Total Governmental Funds - Primary Government		<u>\$ 12,219,850</u>

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 6,547,261	
Career Ladder Program	127,250	
Career Ladder Extended Contracts	66,814	
Homebound Teachers	2,565	
Clerical Personnel	278,480	
Educational Assistants	127,186	
Other Salaries & Wages	101,833	
Non-certified Substitute Teachers	132,618	
Social Security	431,832	
State Retirement	404,816	
Medical Insurance	563,110	
Employer Medicare	100,993	
Maintenance & Repair Services - Equipment	8,342	
Tuition	31,427	
Instructional Supplies and Materials	124,974	
Textbooks	228,357	
Other Supplies and Materials	26,873	
Other Charges	28,193	
Regular Instruction Equipment	159,674	
Total Regular Instruction Program		\$ 9,492,598

Alternative Instruction Program

Educational Assistants	\$ 13,579	
Social Security	682	
State Retirement	1,312	
Medical Insurance	2,390	
Employer Medicare	160	
Total Alternative Instruction Program		18,123

Special Education Program

Teachers	\$ 1,101,584
Career Ladder Program	17,992
Career Ladder Extended Contracts	2,000
Homebound Teachers	6,385
Educational Assistants	178,633
Non-certified Substitute Teachers	30,213
Social Security	75,717
State Retirement	75,996
Medical Insurance	97,443

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Employer Medicare	\$	17,708	
Contracts with Private Agencies		52,350	
Maintenance & Repair Services - Equipment		2,259	
Instructional Supplies and Materials		10,512	
Other Charges		24,774	
Special Education Equipment		25,926	
Total Special Education Program			\$ 1,719,492

Vocational Education Program

Teachers	\$	805,983	
Career Ladder Program		21,000	
Career Ladder Extended Contracts		14,000	
Non-certified Substitute Teachers		10,325	
Social Security		49,579	
State Retirement		46,254	
Medical Insurance		58,003	
Employer Medicare		11,595	
Instructional Supplies and Materials		24,443	
Vocational Instruction Equipment		13,550	
Total Vocational Education Program			1,054,732

Adult Education Program

Teachers	\$	22,472	
Other Salaries & Wages		33,473	
Social Security		3,200	
State Retirement		3,525	
Medical Insurance		3,137	
Employer Medicare		748	
Instructional Supplies and Materials		5,549	
Other Supplies and Materials		4,723	
Other Charges		946	
Other Equipment		5,392	
Total Adult Education Program			83,165

Support Services

Attendance

Supervisor/Director	\$	50,370	
Career Ladder Program		2,000	
Career Ladder Extended Contracts		2,000	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

Social Security	\$	3,268	
State Retirement		2,990	
Medical Insurance		3,241	
Employer Medicare		764	
Travel		2,506	
Total Attendance			\$ 67,139

Health Services

Medical Personnel	\$	180,048	
Social Security		10,519	
State Retirement		15,442	
Medical Insurance		11,258	
Employer Medicare		2,460	
Travel		1,850	
Other Supplies and Materials		5,932	
Total Health Services			227,509

Other Student Support

Career Ladder Program	\$	4,000	
Guidance Personnel		331,811	
Social Security		19,851	
State Retirement		18,905	
Medical Insurance		29,815	
Employer Medicare		4,643	
Evaluation and Testing		17,973	
Travel		5,794	
Other Supplies and Materials		378	
Other Charges		2,000	
Total Other Student Support			435,170

Regular Instruction Program

Supervisor/Director	\$	126,749	
Career Ladder Program		12,500	
Career Ladder Extended Contracts		8,677	
Librarians		351,634	
Instructional Computer Personnel		45,584	
Other Salaries & Wages		19,140	
Social Security		32,774	
State Retirement		29,448	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Medical Insurance	\$	41,937	
Employer Medicare		7,665	
Travel		7,853	
Library Books/Media		29,275	
Other Supplies and Materials		1,784	
In Service/Staff Development		8,006	
Other Charges		1,394	
Total Regular Instruction Program			\$ 724,420

Alternative Instruction Program

Supervisor/Director	\$	57,438	
Career Ladder Program		1,000	
Social Security		3,623	
State Retirement		3,214	
Employer Medicare		847	
Travel		148	
Total Alternative Instruction Program			66,270

Special Education Program

Supervisor/Director	\$	61,273	
Career Ladder Program		2,000	
Psychological Personnel		46,542	
Career Ladder Extended Contracts		2,000	
Assessment Personnel		37,709	
Other Salaries & Wages		22,225	
Social Security		9,706	
State Retirement		8,437	
Medical Insurance		20,604	
Employer Medicare		2,270	
Travel		9,450	
Other Supplies and Materials		3,923	
In Service/Staff Development		3,984	
Other Charges		15,343	
Other Equipment		1,859	
Total Special Education Program			247,325

Vocational Education Program

Supervisor/Director	\$	31,080	
Social Security		1,998	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program (Cont.)

State Retirement	\$	1,820	
Medical Insurance		1,466	
Employer Medicare		467	
Travel		5,467	
Other Supplies and Materials		1,000	
Other Charges		1,428	
Total Vocational Education Program			\$ 44,726

Adult Programs

Supervisor/Director	\$	52,517	
Social Security		3,165	
State Retirement		2,888	
Medical Insurance		2,992	
Employer Medicare		740	
Travel		3,580	
Total Adult Programs			65,882

Board of Education

Board and Committee Members Fees	\$	21,900	
Social Security		1,345	
Unemployment Compensation		16,953	
Employer Medicare		315	
Audit Services		15,000	
Dues and Memberships		9,174	
Legal Services		12,973	
Travel		2,135	
Judgments		1,419	
Trustee's Commission		106,705	
Workers' Compensation Insurance		155,663	
In Service/Staff Development		1,500	
Criminal Investigation of Applicants - TBI		114	
Other Charges		9,781	
Total Board of Education			354,977

Director of Schools

County Official/Administrative Officer	\$	83,568	
Career Ladder Program		1,000	
In-Service Training		1,120	
Social Security		4,920	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

State Retirement	\$	4,651	
Medical Insurance		6,627	
Employer Medicare		1,151	
Communication		13,005	
Dues and Memberships		1,916	
Postal Charges		3,441	
Travel		2,778	
Other Charges		983	
Total Director of Schools			\$ 125,160

Office of the Principal

Principals	\$	471,738	
Career Ladder Program		14,000	
Career Ladder Extended Contracts		8,000	
Assistant Principals		170,626	
Social Security		38,930	
State Retirement		36,652	
Medical Insurance		50,196	
Employer Medicare		9,105	
Communication		5,741	
Dues and Memberships		5,925	
Other Contracted Services		14,088	
Other Supplies and Materials		761	
Total Office of the Principal			825,762

Fiscal Services

Clerical Personnel	\$	45,599	
Social Security		2,497	
State Retirement		4,405	
Medical Insurance		7,865	
Employer Medicare		584	
Other Contracted Services		1,079	
Office Supplies		3,743	
Other Charges		18,632	
Total Fiscal Services			84,404

Operation of Plant

Custodial Personnel	\$	349,625	
Social Security		20,170	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

State Retirement	\$	25,083	
Medical Insurance		29,299	
Employer Medicare		4,717	
Janitorial Services		63,204	
Disposal Fees		11,549	
Other Contracted Services		34,209	
Custodial Supplies		30,006	
Electricity		514,669	
Natural Gas		245,110	
Water and Sewer		69,177	
Building and Contents Insurance		125,643	
Principal on Capital Leases		57,258	
Interest on Capital Leases		1,447	
Total Operation of Plant			\$ 1,581,166

Maintenance of Plant

Supervisor/Director	\$	27,322	
Maintenance Personnel		66,215	
Social Security		5,543	
State Retirement		9,036	
Medical Insurance		4,791	
Employer Medicare		1,296	
Maintenance & Repair Services - Buildings		31,625	
Maintenance & Repair Services - Equipment		39,113	
Maintenance & Repair Services - Vehicles		2,746	
Other Contracted Services		33,961	
Other Supplies and Materials		40,732	
Other Charges		16,212	
Maintenance Equipment		2,968	
Total Maintenance of Plant			281,560

Central and Other

Operating Lease Payments	\$	11,129	
Total Central and Other			11,129

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	35,231	
Clerical Personnel		9,089	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

In-Service Training	\$	2,298	
State Retirement		53,837	
Medical Insurance		66,577	
Payments to Schools - Breakfast		252,978	
Payments to Schools - Lunch		602,917	
Travel		2,320	
Other Contracted Services		2,427	
Other Charges		18,917	
Food Service Equipment		4,778	
Total Food Service			\$ 1,051,369

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	361,054	
Land		200,000	
Total Regular Capital Outlay			561,054

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	290,458	
Total Education			290,458

Total General Purpose School Fund \$ 19,413,590

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	363,738	
Educational Assistants		105,017	
Certified Substitute Teachers		5,598	
Social Security		27,393	
State Retirement		25,731	
Medical Insurance		47,475	
Employer Medicare		6,407	
Instructional Supplies and Materials		17,949	
Other Supplies and Materials		1,405	
Other Charges		40,212	
Regular Instruction Equipment		51,535	
Total Regular Instruction Program			\$ 692,460

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program

Teachers	\$	72,643	
Clerical Personnel		15,442	
Educational Assistants		212,578	
Other Salaries & Wages		122,076	
Social Security		25,277	
State Retirement		23,982	
Medical Insurance		19,371	
Employer Medicare		5,911	
Contracts with Private Agencies		21,174	
Maintenance & Repair Services - Equipment		6,283	
Instructional Supplies and Materials		83,909	
Other Supplies and Materials		12,574	
Other Charges		24,892	
Special Education Equipment		23,478	
Total Special Education Program			\$ 669,590

Vocational Education Program

Travel	\$	2,886	
Instructional Supplies and Materials		138,840	
Total Vocational Education Program			141,726

Support Services

Health Services

Other Charges	\$	1,465	
Total Health Services			1,465

Other Student Support

Travel	\$	7,350	
Other Contracted Services		3,000	
In Service/Staff Development		6,457	
Other Charges		4,330	
Total Other Student Support			21,137

Regular Instruction Program

Supervisor/Director	\$	29,809	
Secretary(ies)		15,442	
Social Security		2,700	
State Retirement		3,159	
Medical Insurance		3,241	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Employer Medicare	\$	632	
Travel		7,222	
Library Books/Media		15,443	
Other Supplies and Materials		104	
In Service/Staff Development		58,068	
Other Equipment		2,000	
Total Regular Instruction Program			\$ 137,820

Special Education Program

Secretary(ies)	\$	19,693	
Social Security		1,221	
Employer Medicare		286	
Travel		20,220	
Total Special Education Program			41,420

Total School Federal Projects Fund \$ 1,705,618

School Transportation Fund

Support Services

Board of Education

Trustee's Commission	\$	17,344	
Total Board of Education			\$ 17,344

Transportation

Supervisor/Director	\$	12,177
Bus Drivers		85,332
Social Security		6,099
State Retirement		1,698
Employer Medicare		1,426
Communication		4,831
Contracts with Vehicle Owners		582,227
Maintenance & Repair Services - Vehicles		13,848
Travel		672
Other Contracted Services		4,275
Diesel Fuel		32,996
Lubricants		90
Tires and Tubes		6,147
Vehicle and Equipment Insurance		54,096
Other Charges		4,696

(Continued)

Exhibit J-8

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

<u>School Transportation Fund (Cont.)</u>			
<u>Support Services (Cont.)</u>			
<u>Transportation (Cont.)</u>			
Transportation Equipment	\$	47,450	
Total Transportation			\$ 858,060
Total School Transportation Fund			\$ 875,404
<u>Education Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Education Capital Projects</u>			
Trustee's Commission	\$	81	
Building Construction		573,878	
Total Education Capital Projects			\$ 573,959
Total Education Capital Projects Fund			573,959
<u>Other Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Education Capital Projects</u>			
Trustee's Commission	\$	7	
Building Construction		132,472	
Total Education Capital Projects			\$ 132,479
Total Other Capital Projects Fund			132,479
Total Governmental Funds - Henderson County School Department			<u>\$ 22,701,050</u>

Exhibit J-9

Henderson 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	City School ADA - Lexington Fund	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 464,078	\$ 464,078
Trustee's Collections - Prior Year	0	20,590	20,590
Circuit/Clerk and Master Collections - Prior Years	0	6,127	6,127
Interest and Penalty	0	4,018	4,018
Payments in Lieu of Taxes - Local Utilities	0	6,242	6,242
Local Option Sales Tax	2,819,557	717,813	3,537,370
Wheel Tax	0	97,111	97,111
Bank Excise Tax	0	7,449	7,449
Interstate Telecommunications Tax	0	940	940
Marriage Licenses	0	559	559
Mixed Drink Tax	0	744	744
Total Cash Receipts	<u>\$ 2,819,557</u>	<u>\$ 1,325,671</u>	<u>\$ 4,145,228</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 2,791,361	\$ 1,433,448	\$ 4,224,809
Trustee's Commission	28,196	18,202	46,398
Total Cash Disbursements	<u>\$ 2,819,557</u>	<u>\$ 1,451,650</u>	<u>\$ 4,271,207</u>
Excess of Cash Receipts			
Over (Under) Cash Disbursements	\$ 0	\$ (125,979)	\$ (125,979)
Cash Balance, July 1, 2005	0	212,785	212,785
Cash Balance, June 30, 2006	<u>\$ 0</u>	<u>\$ 86,806</u>	<u>\$ 86,806</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

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

January 26, 2007

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henderson County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise Henderson County's basic financial statements and have issued our report thereon dated January 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Henderson County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Henderson County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.03, 06.04, 06.08, and 06.11.

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

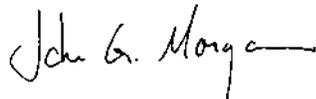
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Henderson County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 06.01, 06.02, 06.05, 06.06, 06.07, 06.09, and 06.10.

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

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

Very truly yours,



John G. Morgan  
Comptroller of the Treasury

JGM/sb



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

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

January 26, 2007

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Henderson County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Henderson County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Henderson County's management. Our responsibility is to express an opinion on Henderson County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Henderson County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Henderson County's compliance with those requirements.

In our opinion, Henderson County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

#### Internal Control Over Compliance

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

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

#### Schedule of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henderson County, Tennessee, as of and for the year ended June 30, 2006, and have issued our report thereon dated January 26, 2007. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Very truly yours,



John G. Morgan  
Comptroller of the Treasury

JGM/sb

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

For the Henderson County Emergency Communications District

Board of Directors  
Henderson County Emergency Communications District  
Lexington, Tennessee

We have audited the accompanying financial statements of the Henderson County Emergency Communications District, Lexington, 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 Henderson 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 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 over financial reporting 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 operations that we consider to be material weaknesses.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the Henderson 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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion of 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 cost as items 2006-1 and 2006-2.

We also noted certain matters that we reported to the management of Henderson County Emergency Communications District in a separate letter.

This report is intended solely for the information and use of the audit committee, management, board of directors, 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.

Henderson County Emergency Communications District  
Schedule of Findings and Recommendations  
June 30, 2006

FINDING 2006-1

The district made direct payment of bonuses to employees outside the regular payroll procedure through the Henderson County government. No payroll tax reporting to the government was made of compensation.

RECOMMENDATION

The district should make sure all payments of compensation to employees are processed through Henderson County as the employer.

RESPONSE

The district will make sure all payments of compensation to employees are processed through Henderson County as employees.

FINDING 2006-2

The district budget indicated that certain line items exceeded budget when compared with actual expenditures. Tennessee law requires that emergency communications districts operate within established budgets.

RECOMMENDATION

The board should carefully review budget items to make sure the district's actual expenses are within its budgeted amounts.

RESPONSE

The board will review budget items to make sure the district's actual expenses are within the budgeted amounts.

Henderson 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 Donation (Noncash Assistance)	10.550	N/A	\$ 91,734
Passed through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	252,978
National School Lunch Program	10.555	N/A	602,917
Total U.S. Department of Agriculture			<u>\$ 947,629</u>
U.S. Department of Housing and Urban Development:			
Passed through State Department of Economic and Community Development:			
Community Development Block Grants/State Program	14.228	(2)	\$ 283,889
Total U.S. Department of Housing and Urban Development			<u>\$ 283,889</u>
U.S. Department of Justice:			
Direct Federal Program:			
Public Safety Partnership and Community Policing Grants	16.710	N/A	\$ 131,725
Passed through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Z0600260500	9,700
Total U.S. Department of Justice			<u>\$ 141,425</u>
U. S. Department of Education:			
Passed through State Department of Education:			
Adult Education - State Grant Program	84.002	Z0602778100	\$ 89,018
Title I Grants to Local Educational Agencies	84.010	N/A	593,026
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	709,998
Special Education - Preschool Grants	84.173	N/A	26,644
Vocational Education - Basic Grants to States	84.048	N/A	158,534
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	43,992
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	GG000820204	32,191
State Grants for Innovative Programs	84.298	N/A	17,260
Improving Teacher Quality State Grants	84.367	N/A	188,736
Total U. S. Department of Education			<u>\$ 1,859,399</u>
Election Assistance Program:			
Passed through State Secretary of State:			
Help America Vote Act Requirement Payments	90.401	Z0603295400	\$ 198,000
Total Election Assistance Program			<u>\$ 198,000</u>
U.S. Department of Health and Human Services:			
Passed through State Department of Education:			
Temporary Assistance for Needy Families	93.558	Z0602719000	\$ 23,257
Total U.S. Department of Health and Human Services			<u>\$ 23,257</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U. S. Department of Homeland Security:			
Passed through State Department of Military:			
Homeland Security Cluster:			
State Domestic Preparedness Equipment Support Program	97.004	Z0402245300	\$ 2,066
Homeland Security Enhancement Grant	97.067	Z0502516800	72,640
Public Assistance Grants	97.036	Z0502541200	23,652
Emergency Management Performance Grants	97.042	(3)	13,086
Assistance to Firefighters Grant	97.044	EMW2005FG00925	72,576
Total U.S. Department of Homeland Security			<u>\$ 184,020</u>
Total Expenditures of Federal Awards			<u>\$ 3,637,619</u>
State Grants:			
Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 11,787
Litter Program - State Department of Transportation	N/A	(2)	40,201
Volunteer Fire Assistance Grant Program - State Department of Agriculture	N/A	(2)	3,000
Rural Dispatcher Grant	N/A	(2)	30,000
Waste Tire Options Grant - State Department of Environment and Conservation	N/A	(2)	16,640
Waste Reduction Grant (Convenience Centers) - State Department of Environment and Conservation	N/A	Z0502088200	138,489
Recycling Equipment Grant - State Department of Environment and Conservation	N/A	Z0401816000	12,726
Family Preservation and Support Services (Family Resource Center) - State Department of Education	N/A	(2)	33,300
Total State Grants			<u>\$ 286,143</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) Z0502541200: \$6,441; Z0603283900: \$6,645

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

**OFFICE OF FINANCE DIRECTOR**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.02	154	Expenditures exceeded appropriations at the major category level of control
05.03	155	The former sheriff and a former employee of the County Mayor's Office were delinquent in their reimbursements to the county
05.04	155	The office had deficiencies in purchasing procedures

**OFFICE OF ROAD SUPERVISOR**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.06	156	The Road Department did not maintain a system to account for the use of road materials

**OFFICE OF COUNTY CLERK**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.07	157	Excess fees were not reported and paid to the county in compliance with state statute

**OFFICE OF CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.08	157	Execution docket trial balances did not reconcile with cash journal accounts
05.09	158	Excess fees were not reported and paid to the county in compliance with state statute
05.10	158	Sufficient user documentation for the court software was not maintained

**OFFICE OF CLERK AND MASTER**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.11	158	Excess fees were not reported and paid to the county in compliance with state statute

**OTHER FINDINGS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.12	159	Designated situs-based taxes were inadequate to fund rural fire protection
05.13	159	Duties were not segregated adequately in the offices of county clerk, juvenile court clerk, and sheriff

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**HENDERSON 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 Henderson County is unqualified.
2. The audit of the financial statements of Henderson County disclosed reportable conditions in internal control. None of these conditions was considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that was material to the financial statements of Henderson County.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that were required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555), Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Henderson County did not qualify as a low-risk auditee.

## PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. Officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

### **OFFICE OF FINANCE DIRECTOR**

#### **FINDING 06.01      EXPENDITURES EXCEEDED APPROPRIATIONS** (Noncompliance Under Government Auditing Standards)

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

<u>Fund</u>	<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
General	Sheriff's Department	\$ 43,754
"	Workhouse	109,220
"	County Coroner/Medical Examiner	22,047
"	Contributions to Other Agencies	60,000
General Purpose School	Regular Instruction Program	3,399

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 government shall be appropriated to such use by the county legislative bodies."

### **RECOMMENDATION**

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

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#### **FINDING 06.02      THE FORMER SHERIFF AND A FORMER EMPLOYEE OF THE COUNTY MAYOR'S OFFICE WERE DELINQUENT IN REIMBURSING THE COUNTY** (Noncompliance Under Government Auditing Standards)

Our examination of salary agreements disclosed the following conditions:

- A. On July 11, 2000, the former sheriff, Charles Woods, entered into an agreement with Henderson County to repay the county for a salary overpayment of \$1,573.92. The conditions of the agreement required

payments of \$100 for 11 months plus a final payment of \$473.92. Mr. Woods made the 11 payments of \$100 but has not paid the final installment of \$473.92 as of June 30, 2006.

- B. During the 2001-02 year, a former employee of the County Mayor's Office was improperly paid for 41 days of unused sick leave and 15 days of unused vacation leave. On November 8, 2002, this employee signed an agreement to reimburse the county \$5,541.89 in three installments: \$541.89 on December 6, 2002; \$2,500 on June 6, 2003; and \$2,500 on June 6, 2004. As of June 30, 2006, this employee had paid \$4,000 on the agreed amount, leaving an unpaid balance of \$1,541.89.

### RECOMMENDATION

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

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**FINDING 06.03      THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

### RECOMMENDATION

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

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### **OFFICE OF ROAD SUPERVISOR**

**FINDING 06.04      THE ROAD DEPARTMENT DID NOT MAINTAIN A SYSTEM TO ACCOUNT FOR THE USE OF SOME MATERIALS**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

RECOMMENDATION

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

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OFFICE OF COUNTY CLERK

FINDING 06.05      **EXCESS FEES WERE NOT REPORTED AND PAID TO THE COUNTY IN COMPLIANCE WITH STATE STATUTE**  
(Noncompliance Under Government Auditing Standards)

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

RECOMMENDATION

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

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OFFICE OF CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK

FINDING 06.06      **EXECUTION DOCKET TRIAL BALANCES DID NOT RECONCILE WITH CASH JOURNAL ACCOUNTS**  
(Noncompliance Under Government Auditing Standards)

At June 30, 2006, the circuit and general sessions courts clerk had prepared trial balances of execution docket cause balances as required by Section 18-2-103, Tennessee Code Annotated (TCA). However, these trial balances did not reconcile with cash journal accounts by substantial amounts. Therefore, we were unable to determine if the clerk had complied with provisions of the Unclaimed Property Act, Section 66-29-110, TCA. This statute provides that any funds held by the court for one year and unclaimed by the owner are considered abandoned. Section 66-29-113, TCA, further requires these funds to be reported and paid to the state Treasurer's Office.

RECOMMENDATION

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

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**FINDING 06.07      EXCESS FEES WERE NOT REPORTED AND PAID TO THE COUNTY IN COMPLIANCE WITH STATE STATUTE**  
(Noncompliance Under Government Auditing Standards)

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

**RECOMMENDATION**

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

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**FINDING 06.08      SUFFICIENT USER DOCUMENTATION FOR THE COURT SOFTWARE WAS NOT MAINTAINED**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

**RECOMMENDATION**

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

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**OFFICE OF CLERK AND MASTER**

**FINDING 06.09      EXCESS FEES WERE NOT REPORTED AND PAID TO THE COUNTY IN COMPLIANCE WITH STATE STATUTE**  
(Noncompliance Under Government Auditing Standards)

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

**RECOMMENDATION**

## RECOMMENDATION

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

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## OTHER FINDINGS AND RECOMMENDATIONS

### FINDING 06.10      **DESIGNATED SITUS-BASED TAXES WERE INADEQUATE TO FUND RURAL FIRE PROTECTION** (Material Noncompliance Under Government Auditing Standards)

During the year, Henderson County expended \$226,391 from the General Fund to provide fire protection service to rural areas of the county. The County Commission designated certain situs-based taxes in the General Fund to fund this rural fire protection. However, these situs-based taxes totaled \$207,370 for the year and were not sufficient to cover the operating expenditures of \$226,391. Therefore, the property taxes of all county citizens, living both inside and outside the City of Lexington, helped to fund this service. Citizens living within the City of Lexington paid for fire protection service in both the city and rural areas.

## RECOMMENDATION

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

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### FINDING 06.11      **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY CLERK, JUVENILE COURT CLERK, AND SHERIFF** (Internal Control – Reportable Condition Under Government Auditing Standards)

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

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

There were no findings and questioned costs for federal awards.

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

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