

**ANNUAL FINANCIAL REPORT
HENRY COUNTY, TENNESSEE**



FOR THE YEAR ENDED JUNE 30, 2007



**ANNUAL FINANCIAL REPORT
HENRY COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2007**

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

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Audit Highlights
Annual Financial Report
Henry County, Tennessee
For the Year Ended June 30, 2007

Scope

We have audited the basic financial statements of Henry County as of and for the year ended June 30, 2007.

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICE OF COUNTY MAYOR

- ◆ In most instances, the office issued purchase orders after the purchases were made.
- ◆ General Fund expenditures exceeded appropriations approved by the County Commission in the Other Public Safety major appropriation category by \$28,416 (the legal level of control).
- ◆ The county used a questionable method of funding corporate surety bonds for the Highway Department.

OFFICE OF ROAD SUPERVISOR

- ◆ In several instances, the office issued purchase orders after the purchases were made.

OFFICE OF REGISTER

- ◆ The register did not obtain a letter of agreement or court decree to authorize deputy hires.
-

OTHER FINDINGS

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

INTRODUCTORY SECTION

Henry County Officials

June 30, 2007

Officials

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

Board of County Commissioners

Brent Greer, Chairman	Paul Mathenia
Mitchell Evans, Vice Chairman	Dan Paschall
Earl Anderson	James Travis
Dell Carter	Randy Veazey
Bobby Freeman	Mary Warren
Jeff Hamlin	Larry Watson
Kenneth Humphreys	David Webb
Don Jones	Tim Wirgau

Board of Education

Mike Dunkerson, Chairman
Gary Williams, Vice Chairman
Patricia Reimold
George Todd
Gerald Young

Budget Committee

Brent Greer, Chairman
Bobby Freeman
Kenneth Humphreys
Don Hutson
Dorris Kendall
Dan Paschall
Everett Moody
Randy Veazey
Tim Wirgau

Highway Commission

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

FINANCIAL SECTION



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
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NASHVILLE, TENNESSEE 37243-0269
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INDEPENDENT AUDITOR'S REPORT

February 20, 2008

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henry County, Tennessee, as of and for the year ended June 30, 2007, which collectively comprise Henry County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Henry County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented Henry County Medical Center, which represent 66 percent and 71 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Also, we did not audit the financial statements of the discretely presented Henry County Emergency Communications District, which represent .8 percent and .6 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Henry County Medical Center and the Henry County Emergency Communications District, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material

misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henry County, Tennessee, as of June 30, 2007, 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 February 20, 2008, on our consideration of Henry County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

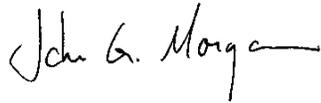
The management of Henry County did not prepare a management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of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

The budgetary comparison and pension information on pages 71 through 79 are not required parts of the basic financial statements but they do provide supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan". The signature is written in a cursive style with a long horizontal stroke at the end.

John G. Morgan
Comptroller of the Treasury

JGM/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Henry County, Tennessee
Statement of Net Assets
June 30, 2007

	Primary Government Governmental Activities	Component Units		
		Henry County School Department	Henry County Medical Center	Henry County Emergency Communications District
<u>ASSETS</u>				
Cash	\$ 17,348	\$ 0	\$ 4,900,537	\$ 496,242
Equity in Pooled Cash and Investments	7,611,902	2,425,619	0	0
Inventories	0	0	1,601,265	0
Investments	0	0	6,720,129	0
Accounts Receivable	95,165	76,105	16,014,701	142,856
Allowance for Uncollectibles	0	0	(6,474,000)	0
Due from Other Governments	1,162,660	1,381,588	0	0
Property Taxes Receivable	4,755,255	4,657,355	0	0
Allowance for Uncollectible Property Taxes	(46,883)	(45,738)	0	0
Prepaid Items	0	0	213,443	0
Accrued Interest Receivable	0	0	0	136
Cash Shortage	162,658	0	0	0
Other Current Assets	0	0	893,342	0
Other Restricted Assets	0	0	9,369,630	0
Deferred Charges - Debt Issuance Costs	206,548	0	0	0
Capital Assets:				
Assets Not Depreciated:				
Land	5,003,034	610,066	655,041	0
Construction in Progress	0	179,878	2,844,582	0
Assets Net of Accumulated Depreciation:				
Buildings and Improvements	4,328,597	26,144,930	29,340,272	0
Infrastructure	19,333,844	0	0	0
Other Capital Assets	575,773	1,567,349	7,387,583	298,460
Total Assets	\$ 43,205,901	\$ 36,997,152	\$ 73,466,525	\$ 937,694
<u>LIABILITIES</u>				
Accounts Payable	\$ 2,637	\$ 67,613	\$ 2,385,063	\$ 13,344
Accrued Payroll	0	4,841	0	0
Payroll Deductions Payable	100	0	0	0
Contracts Payable	231,862	0	0	0
Retainage Payable	0	13,008	0	0
Claims and Judgments Payable	0	0	234,620	0
Accrued Interest Payable	97,209	0	0	0
Other Current Liabilities	0	0	3,740,301	0
Deferred Revenue - Current Property Taxes	4,481,965	4,377,838	0	0
Noncurrent Liabilities:				
Due Within One Year	1,572,163	3,753	1,192,712	0
Due in More Than One Year (net of deferred amount on refunding and unamortized premium on debt)	22,461,046	71,290	16,045,476	0
Total Liabilities	\$ 28,846,982	\$ 4,538,343	\$ 23,598,172	\$ 13,344

(Continued)

Exhibit A

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

	Primary Governmental Activities	Component Units		
		Henry County School Department	Henry County Medical Center	Henry County Emergency Communications District
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	\$ 26,843,250	\$ 0	\$ 22,989,290	\$ 0
Invested in Capital Assets	0	28,502,223	0	298,460
Restricted for:				
Resort District	318,288	0	0	0
Solid Waste/Sanitation	267,069	0	0	0
Drug Control	268,232	0	0	0
Highway/Public Works	1,034,142	0	0	0
Debt Service	3,214,176	0	0	0
Capital Projects	197,254	0	0	0
School Federal Projects	0	6,583	0	0
Central Cafeteria	0	454,179	0	0
Other Purposes	36,497	284,406	0	0
Unrestricted	(17,819,989)	3,211,418	26,879,063	625,890
Total Net Assets	<u>\$ 14,358,919</u>	<u>\$ 32,458,809</u>	<u>\$ 49,868,353</u>	<u>\$ 924,350</u>

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

Exhibit B

Henry County, Tennessee
 Statement of Activities
 For the Year Ended June 30, 2007

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Units			
						Henry County School Department	Henry County Medical Center	Henry County Emergency Communications District	
Primary Government:									
Governmental Activities:									
General Government	\$ 1,043,962	\$ 298,367	\$ 16,380	\$ 224,800	\$ (504,415)	\$ 0	\$ 0	\$ 0	\$ 0
Finance	967,355	957,894	15,595	0	6,134	0	0	0	0
Administration of Justice	1,013,789	690,489	64,802	0	(258,498)	0	0	0	0
Public Safety	4,276,062	1,000,766	45,225	73,585	(3,156,486)	0	0	0	0
Public Health and Welfare	820,916	199,532	58,244	0	(563,140)	0	0	0	0
Social, Cultural, and Recreational Services	313,912	0	35,502	0	(278,410)	0	0	0	0
Agriculture and Natural Resources	207,892	0	0	0	(207,892)	0	0	0	0
Other Operations	1,225,150	229,024	832,239	47,000	(116,887)	0	0	0	0
Highways	4,137,628	35,295	1,963,485	447,127	(1,691,721)	0	0	0	0
Education	499,872	0	0	0	(499,872)	0	0	0	0
Interest on Long-term Debt	1,031,963	0	1,462,701	0	430,738	0	0	0	0
Other Debt Service	67,944	0	10,031	0	(57,913)	0	0	0	0
Total Primary Government	\$ 15,606,445	\$ 3,411,367	\$ 4,504,204	\$ 792,512	\$ (6,898,362)	\$ 0	\$ 0	\$ 0	\$ 0
Component Units:									
Henry County School Department	\$ 25,872,033	\$ 746,506	\$ 3,852,770	\$ 107,776	\$ 0	\$ (21,164,981)	\$ 0	\$ 0	\$ 0
Henry County Medical Center	60,947,900	62,708,246	0	0	0	0	1,760,346	0	0
Henry County Emergency Communications District	269,293	180,904	170,400	0	0	0	0	0	82,011
Total Component Units	\$ 87,089,226	\$ 63,635,656	\$ 4,023,170	\$ 107,776	\$ 0	\$ (21,164,981)	\$ 1,760,346	\$ 0	\$ 82,011

(Continued)

Exhibit B

Henry 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 Governmental Activities	Component Units		
						Henry County School Department	Henry County Medical Center	Henry County Emergency Communications District
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes					\$ 4,080,401	\$ 4,340,691	\$ 0	\$ 0
Property Taxes Levied for Debt Service					137,402	0	0	0
Local Option Sales Taxes					614,142	2,685,626	0	0
Other Local Taxes					1,954,822	126,854	0	0
Grants and Contributions Not Restricted to Specific Programs					687,288	13,595,594	0	190,801
Unrestricted Investment Income					354,909	118,750	1,062,433	0
Miscellaneous					19,201	55,600	1,121,690	5,641
Gain on Disposal of Capital Assets					178,670	0	0	0
Total General Revenues					<u>\$ 8,026,835</u>	<u>\$ 20,923,115</u>	<u>\$ 2,184,123</u>	<u>\$ 196,442</u>
Change in Net Assets					\$ 1,128,473	\$ (241,866)	\$ 3,944,469	\$ 278,453
Net Assets, July 1, 2006					(8,078,241)	32,700,675	45,923,884	645,897
Prior Period Adjustment					21,308,687	0	0	0
Net Assets, June 30, 2007					<u>\$ 14,358,919</u>	<u>\$ 32,458,809</u>	<u>\$ 49,868,353</u>	<u>\$ 924,350</u>

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

Exhibit C-1

Henry County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2007

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 17,348	\$ 17,348
Equity in Pooled Cash and Investments	3,267,819	536,909	3,150,902	656,272	7,611,902
Accounts Receivable	92,515	2,650	0	0	95,165
Due from Other Governments	486,669	657,669	0	18,322	1,162,660
Due from Other Funds	17,348	0	0	0	17,348
Property Taxes Receivable	2,703,958	1,608,832	147,488	294,977	4,755,255
Allowance for Uncollectible Property Taxes	(26,555)	(14,729)	(1,448)	(4,151)	(46,883)
Cash Shortage	118,878	0	0	43,780	162,658
Total Assets	\$ 6,660,632	\$ 2,791,331	\$ 3,296,942	\$ 1,026,548	\$ 13,775,453
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 2,637	\$ 0	\$ 0	\$ 0	\$ 2,637
Payroll Deductions Payable	100	0	0	0	100
Contracts Payable	0	231,862	0	0	231,862
Due to Other Funds	0	0	0	17,348	17,348
Deferred Revenue - Current Property Taxes	2,541,677	1,525,006	138,637	276,645	4,481,965
Deferred Revenue - Delinquent Property Taxes	127,579	64,951	6,959	13,293	212,782
Other Deferred Revenues	243,008	332,412	0	0	575,420
Total Liabilities	\$ 2,915,001	\$ 2,154,231	\$ 145,596	\$ 307,286	\$ 5,522,114
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 2,013	\$ 359,829	\$ 0	\$ 4,908	\$ 366,750
Reserved for Resort District	318,288	0	0	0	318,288
Reserved for Purchase of Electronic Fingerprint Imaging System	0	0	0	15,815	15,815
Reserved for Alcohol and Drug Treatment	36,497	0	0	0	36,497
Unreserved, Reported In:					
General Fund	3,388,833	0	0	0	3,388,833
Special Revenue Funds	0	277,271	0	501,285	778,556
Debt Service Fund	0	0	3,151,346	0	3,151,346
Capital Projects Fund	0	0	0	197,254	197,254
Total Fund Balances	\$ 3,745,631	\$ 637,100	\$ 3,151,346	\$ 719,262	\$ 8,253,339
Total Liabilities and Fund Balances	\$ 6,660,632	\$ 2,791,331	\$ 3,296,942	\$ 1,026,548	\$ 13,775,453

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

Exhibit C-2

Henry County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2007

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	8,253,339
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	5,003,034	
Add: buildings and improvements net of accumulated depreciation		4,328,597	
Add: infrastructure net of accumulated depreciation		19,333,844	
Add: other capital assets net of accumulated depreciation		<u>575,773</u>	29,241,248
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			788,202
(3) Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds.			
Less: notes payable	\$	(656,872)	
Less: other loans payable		(3,878,198)	
Less: bonds payable		(17,752,111)	
Add: deferred charges - debt issuance costs		206,548	
Add: deferred amount on refunding		152,759	
Less: other deferred revenue - premium on debt		(3,186)	
Less: accrued interest on notes and bonds		(97,209)	
Less: accreted interest on bonds		(1,331,351)	
Less: landfill closure/postclosure care costs		(232,198)	
Less: compensated absences payable		<u>(332,052)</u>	<u>(23,923,870)</u>
Net assets of governmental activities (Exhibit A)			<u>\$ 14,358,919</u>

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

Exhibit C-3

Henry County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway /	General	Other	
		Public Works	Debt Service	Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 4,433,874	\$ 1,339,228	\$ 716,556	\$ 286,494	\$ 6,776,152
Licenses and Permits	100,101	0	0	0	100,101
Fines, Forfeitures, and Penalties	245,779	0	0	29,058	274,837
Charges for Current Services	89,628	0	0	7,577	97,205
Other Local Revenues	370,897	37,970	354,909	174,548	938,324
Fees Received from County Officials	1,573,822	0	0	0	1,573,822
State of Tennessee	2,313,745	2,012,879	0	101,396	4,428,020
Federal Government	242,310	7,478	0	0	249,788
Other Governments and Citizens Groups	83,863	5,000	1,462,701	10,537	1,562,101
Total Revenues	\$ 9,454,019	\$ 3,402,555	\$ 2,534,166	\$ 609,610	\$ 16,000,350
<u>Expenditures</u>					
Current:					
General Government	\$ 1,122,363	\$ 0	\$ 0	\$ 0	\$ 1,122,363
Finance	724,808	0	0	3,477	728,285
Administration of Justice	773,425	0	0	4,100	777,525
Public Safety	3,105,100	0	0	86,477	3,191,577
Public Health and Welfare	133,273	0	0	551,565	684,838
Social, Cultural, and Recreational Services	263,319	0	0	0	263,319
Agriculture and Natural Resources	176,833	0	0	0	176,833
Other Operations	2,332,416	0	13,180	5,551	2,351,147
Highways	0	4,292,595	0	0	4,292,595
Debt Service:					
Principal on Debt	0	50,000	1,697,837	0	1,747,837
Interest on Debt	0	5,857	792,310	0	798,167
Other Debt Service	0	0	19,951	0	19,951
Capital Projects	0	0	0	750,732	750,732
Total Expenditures	\$ 8,631,537	\$ 4,348,452	\$ 2,523,278	\$ 1,401,902	\$ 16,905,169

(Continued)

Exhibit C-3

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

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
Excess (Deficiency) of Revenues Over Expenditures	\$ 822,482	\$ (945,897)	\$ 10,888	\$ (792,292)	\$ (904,819)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 740,234	\$ 740,234
Proceeds from Sale of Capital Assets	0	0	0	222,111	222,111
Insurance Recovery	7,900	5,117	0	0	13,017
Transfers In	0	429,954	0	0	429,954
Transfers Out	(429,954)	0	0	0	(429,954)
Total Other Financing Sources (Uses)	\$ (422,054)	\$ 435,071	\$ 0	\$ 962,345	\$ 975,362
Net Change in Fund Balances	\$ 400,428	\$ (510,826)	\$ 10,888	\$ 170,053	\$ 70,543
Fund Balance, July 1, 2006	3,345,203	1,147,926	3,140,458	549,209	8,182,796
Fund Balance, June 30, 2007	\$ 3,745,631	\$ 637,100	\$ 3,151,346	\$ 719,262	\$ 8,253,339

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

Exhibit C-4

Henry County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2007

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)		\$ 70,543
(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	\$ 1,996,654	
Less: current year depreciation expense	<u>(2,113,002)</u>	(116,348)
(2) The net effect of various miscellaneous transactions involving capital assets (sales and donations) is to increase net assets.		
Add: assets donated and capitalized	\$ 228,188	
Less: loss on disposal of capital assets	<u>(43,441)</u>	184,747
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2007	\$ 788,202	
Less: deferred delinquent property taxes and other deferred June 30, 2006	<u>(470,523)</u>	317,679
(4) The issuance of long-term debt (e.g. notes, other loans, bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Less: note proceeds	\$ (740,234)	
Add: change in premium on debt issuances	10,031	
Less: change in deferred debt issuance costs	(23,789)	
Less: change in deferred amount on refunding debt	(24,204)	
Add: principal payments on notes	309,362	
Add: principal payments on other loans	586,600	
Add: principal payments on bonds	<u>851,875</u>	969,641
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in accrued interest	\$ 6,445	
Change in accreted interest	(240,241)	
Change in compensated absences	<u>(63,993)</u>	(297,789)
Change in net assets of governmental activities (Exhibit B)		<u>\$ 1,128,473</u>

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

Exhibit D

Henry County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2007

	<u>Agency Funds</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 89,286
Cash	997,158
Due from Other Governments	1,237,144
Property Taxes Receivable	3,212,951
Allowance for Uncollectible Property Taxes	<u>(31,360)</u>
Total Assets	<u>\$ 5,505,179</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 4,508,021
Due to Litigants, Heirs, and Others	<u>997,158</u>
Total Liabilities	<u>\$ 5,505,179</u>

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

HENRY COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

Henry County is a public municipal corporation governed by an elected 15-member board. As required by GAAP, these financial statements present Henry County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

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

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

The Henry County Medical Center provides healthcare to the citizens of Henry County, and the Henry County Commission appoints its governing body. Before the issuance of any debt instruments, the hospital must obtain the approval of the County Commission.

The Henry County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Henry County, and the Henry County Commission appoints its governing body. The district is funded primarily through a

service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval.

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

Administrative Offices:

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

Fund financial statements of Henry County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental category. Henry County has no proprietary funds to report.

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

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

on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

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

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

Henry County reports the following major governmental funds:

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

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

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

Additionally, Henry County reports the following fund types:

Capital Projects Fund – The General Capital Projects Fund accounts for the financial resources to be used for general capital expenditures.

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

The discretely presented Henry County School Department reports the following major governmental fund:

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

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

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Henry County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service Fund and the discretely presented School Department's General Purpose School Fund. Henry

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

2. Receivables and Payables

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 53 percent of total taxes levied.

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

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

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable

that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

Retainage payable in the discretely presented School Department's General Purpose School Fund represents amounts withheld from payments made on construction contracts pending completion of the projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments in the General Purpose School Fund.

3. Capital Assets

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

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

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	25
Other Capital Assets	5-10
Infrastructure:	
Roads	20-50
Bridges	20-50

4. Compensated Absences

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

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

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

5. Long-term Obligations

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

netted against the new debt and amortized over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

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

6. Net Assets and Fund Equity

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

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

The government-wide statement of net assets reports \$5,335,658 of restricted net assets for the primary government, of which \$318,288 is restricted by enabling legislation.

At June 30, 2007, Henry County had \$19,889,183 in outstanding debt for capital purposes for the discretely presented Henry County School Department. The debt is a liability of Henry County, but the capital assets acquired are reported in the financial statements of the School

Department. Therefore, Henry County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

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

7. Prior-period Adjustment

Capital assets were restated (\$21,308,687) from the prior year. The prior-period adjustment resulted from the recognition of land assets for the right-of-way of all infrastructures which were previously omitted and the recognition of infrastructure assets acquired between July 1, 1980, and June 30, 2002.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Henry County School Department

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

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

Primary Government

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

Discretely Presented Henry County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

B. Prior Year Cash Shortage

As noted in the Annual Financial Report for the year ended June 30, 2006, a cash shortage totaling \$162,658 existed in the General (\$118,878), Drug Control (\$23,502), and General Capital Projects (\$20,278) funds as a result of irregularities in the Office of Sheriff. Subsequent to June 30, 2007, former Sheriff David Bumpus, former business manager Faye Scott, and former owner of Elite Firearms, Jason Ferren, all pled guilty to various charges and

received various sentences and fines. The three defendants have been ordered to pay restitution totaling \$71,512. This amount is net of estimated auction proceeds of items recovered from David Bumpus.

C. Expenditures Exceeded Appropriations

Expenditures and encumbrances exceeded appropriations approved by the County Commission in the Other Public Safety major appropriation category (the legal level of control) of the General Fund by \$28,416. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. 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.

The county had no pooled or nonpooled investments as of June 30, 2007.

B. Capital Assets

Capital assets activity for the year ended June 30, 2007, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-06	Prior Period Adjustment	Increases	Decreases	Balance 6-30-07
Capital Assets Not Depreciated:					
Land	\$ 536,684	\$ 4,466,350	\$ 0	\$ 0	\$ 5,003,034
Construction in Progress	155,038	0	47,949	(202,987)	0
Total Capital Assets Not Depreciated	<u>\$ 691,722</u>	<u>\$ 4,466,350</u>	<u>\$ 47,949</u>	<u>\$ (202,987)</u>	<u>\$ 5,003,034</u>
Capital Assets Depreciated:					
Buildings and Improvements	\$ 7,396,733	\$ 0	\$ 202,987	\$ (97,215)	\$ 7,502,505
Infrastructure	3,457,517	30,063,757	1,952,963	0	35,474,237
Other Capital Assets	2,983,793	0	223,930	(14,700)	3,193,023
Total Capital Assets Depreciated	<u>\$ 13,838,043</u>	<u>\$ 30,063,757</u>	<u>\$ 2,379,880</u>	<u>\$ (111,915)</u>	<u>\$ 46,169,765</u>

Governmental Activities: (Cont.)

	Balance 7-1-06	Prior Period Adjustment	Increases	Decreases	Balance 6-30-07
Less Accumulated Depreciation For:					
Buildings and Improvements	\$ 2,980,226	\$ 0	\$ 260,104	\$ (66,422)	\$ 3,173,908
Infrastructure	1,305,467	13,221,420	1,613,506	0	16,140,393
Other Capital Assets	2,379,910	0	239,392	(2,052)	2,617,250
Total Accumulated Depreciation	\$ 6,665,603	\$ 13,221,420	\$ 2,113,002	\$ (68,474)	\$ 21,931,551
Total Capital Assets Depreciated, Net	\$ 7,172,440	\$ 16,842,337	\$ 266,878	\$ (43,441)	\$ 24,238,214
Governmental Activities Capital Assets, Net	\$ 7,864,162	\$ 21,308,687	\$ 314,827	\$ (246,428)	\$ 29,241,248

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

Governmental Activities:

General Government	\$ 1,854
Finance	4,676
Public Safety	254,299
Public Health and Welfare	81,583
Social, Cultural, and Recreational Services	2,094
Other Operations	83,711
Highways	1,684,785
Total Depreciation Expense - Governmental Activities	<u>\$ 2,113,002</u>

Discretely Presented Henry County School Department

Governmental Activities:

	Balance 7-1-06	Increases	Decreases	Balance 6-30-07
Capital Assets Not Depreciated:				
Land	\$ 556,718	\$ 55,868	\$ (2,520)	\$ 610,066
Construction in Progress	0	179,878	0	179,878
Total Capital Assets Not Depreciated	\$ 556,718	\$ 235,746	\$ (2,520)	\$ 789,944
Capital Assets Depreciated:				
Buildings and Improvements	\$ 42,532,338	\$ 321,108	\$ 0	\$ 42,853,446
Other Capital Assets	3,467,417	326,880	(38,766)	3,755,531
Total Capital Assets Depreciated	\$ 45,999,755	\$ 647,988	\$ (38,766)	\$ 46,608,977
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 15,116,446	\$ 1,592,070	\$ 0	\$ 16,708,516
Other Capital Assets	1,915,236	311,712	(38,766)	2,188,182
Total Accumulated Depreciation	\$ 17,031,682	\$ 1,903,782	\$ (38,766)	\$ 18,896,698
Total Capital Assets Depreciated, Net	\$ 28,968,073	\$ (1,255,794)	\$ 0	\$ 27,712,279
Governmental Activities Capital Assets, Net	\$ 29,524,791	\$ (1,020,048)	\$ (2,520)	\$ 28,502,223

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

Governmental Activities:

Instruction	\$ 1,562,613
Support Services	295,597
Operation of Non-Instructional Services	<u>45,572</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,903,782</u>

C. Construction Commitments

At June 30, 2007, the county had uncompleted construction contracts of \$359,829 in the Highway/Public Work Fund for a state-aid road project. Funding for these future expenditures is expected to be provided by state-aid funds.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2007, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 17,348
Discretely Presented School Department:		
General Purpose School	Nonmajor governmental	11,701

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, 2007, consisted of the following amounts:

Primary Government

<u>Transfers Out</u>	<u>Transfers In</u> Highway/ Public Works Fund
General Fund	\$ 429,954
Total	<u>\$ 429,954</u>

Discretely Presented Henry County School Department

<u>Transfers Out</u>	<u>Transfers In</u> General Purpose School Fund
Nonmajor governmental funds	\$ 13,131
Total	<u>\$ 13,131</u>

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

E. Long-term Debt

Primary Government

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 22 years for bonds, up to ten years for notes, and up to 19 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in the long-term debt as of June 30, 2007, will be retired from the General Debt Service Fund or the Highway/Public Works Fund.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2007, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
General Obligation Bonds	4.25 to 4.6%	\$ 6,600,000	\$ 6,600,000
General Obligation Bonds - Refunding	3 to 4.45	8,952,500	7,458,750
Capital Accretion Bonds	4.6 to 5.2	3,693,361	3,693,361
Other Loans	varies	7,944,998	3,878,198
Capital Outlay Notes	0 to 5.125	839,872	656,872

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

In prior years, Henry County entered into two loan agreements with the Montgomery County Public Building Authority. Under these loan agreements, the authority loaned \$3,000,000 and \$4,944,998 to Henry County for various renovation and construction projects. These loans are repayable at interest rates that are tax-exempt variable rates determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with these loans. At June 30, 2007, the variable interest rates were 3.84 and 3.74 percent, respectively, on the loans, and other fees amounted to approximately .4 percent (.25 percent letter of credit and .15 percent remarketing) for both loans, of the outstanding loan principal. Each loan is also assessed an annual trustee fee of \$1,155.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2007, including interest payments and other loan fees, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2008	\$ 903,750	\$ 576,748	\$ 140,410	\$ 6,822
2009	930,740	546,733	140,410	3,898
2010	822,174	655,311	90,410	974
2011	823,931	651,817	71,411	0
2012	827,438	650,922	71,411	0
2013-2017	4,787,908	3,142,087	142,820	0
2018-2022	4,816,170	3,969,709	0	0
2023-2025	3,840,000	304,731	0	0
Total	\$ 17,752,111	\$ 10,498,058	\$ 656,872	\$ 11,694

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2008	\$ 511,400	\$ 137,274	\$ 14,968	\$ 663,642
2009	538,700	117,979	12,922	669,601
2010	566,400	97,654	10,768	674,822
2011	595,800	76,823	8,502	681,125
2012	625,600	53,802	6,119	685,521
2013-2015	1,040,298	56,898	6,842	1,104,038
Total	\$ 3,878,198	\$ 540,430	\$ 60,121	\$ 4,478,749

There is \$3,151,346 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$571, based on the 2000 federal census. Debt per capita, including bonds, notes, and other loans totaled \$716, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the primary government for the year ended June 30, 2007, was as follows:

Governmental Activities:

	Bonds	Notes	Accreted Interest
Balance, July 1, 2006	\$ 18,603,986	\$ 226,000	\$ 1,091,110
Additions	0	740,234	240,241
Deductions	(851,875)	(309,362)	0
Balance, June 30, 2007	\$ 17,752,111	\$ 656,872	\$ 1,331,351
Balance Due Within One Year	\$ 903,750	\$ 140,410	\$ 0

	Other Loans	Compensated Absences	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2006	\$ 4,464,798	\$ 268,059	\$ 232,198
Additions	0	322,495	0
Deductions	(586,600)	(258,502)	0
Balance, June 30, 2007	\$ 3,878,198	\$ 332,052	\$ 232,198
Balance Due Within One Year	\$ 511,400	\$ 16,603	\$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2007	\$ 24,182,782
Less: Balance Due Within One Year	(1,572,163)
Less: Deferred Amount on Refunding	(152,759)
Add: Unamortized Premium on Debt	<u>3,186</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 22,461,046</u>

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

Defeasance of Prior Debt

In the prior year, Henry County defeased certain outstanding general obligation bonds by placing the proceeds of new bonds into an irrevocable trust fund to provide for all future debt service payments on the old bonds until they are called on May 1, 2009. 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, 2007, the following outstanding bonds are considered defeased:

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

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Henry County School Department for the year ended June 30, 2007, was as follows:

Governmental Activities:

	<u>Compensated Absences</u>
Balance, July 1, 2006	\$ 82,476
Additions	26,942
Deductions	<u>(34,375)</u>
Balance, June 30, 2007	<u>\$ 75,043</u>
Balance Due Within One Year	<u>\$ 3,753</u>

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

F. Short-term Debt

During the year, Henry County borrowed \$300,000 from the General Fund to provide temporary operating funds for the Highway/Public Works Fund. This loan was retired prior to June 30, 2007, as required by state statutes, and therefore has not been reflected in the financial statements of this report. Short-term debt activity for the year ended June 30, 2007, was as follows:

	Balance 7-1-06	Issued	Redeemed	Balance 6-30-07
Tax Anticipation Note	\$ 0	\$ 300,000	\$ (300,000)	\$ 0

V. OTHER INFORMATION

A. Risk Management

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

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

B. Subsequent Events

On September 26, 2007, Henry County issued capital outlay notes totaling \$281,098 at an interest rate of 3.7 percent for various capital projects.

On November 26, 2007, Henry County issued a \$300,000 capital outlay note at an interest rate of 3.9 percent for a jail renovation project.

On December 17, 2007, the Henry County Commission approved the issuance of a \$960,000 capital outlay note to construct an industrial building.

On January 11, 2008, Henry County issued a \$1,500,000 capital outlay note at an interest rate of 3.4 percent for the purchase of property.

C. Contingent Liabilities

Henry County is contingently liable for Hospital Revenue Bonds, Series 2003, that were issued to advance refund certain hospital revenue and tax refunding and improvement bonds, Series 1992 (1992 Revenue Bonds), of the Henry County Medical Center, a discretely presented component unit. Henry County would become liable for these bonds and interest thereon, in the event of default by the Henry County Medical Center. The principal of these revenue bonds is reflected on the financial statements of the Henry County Medical Center. As of June 30, 2007, future principal requirements were \$269,712, and future interest requirements were \$3,375.

The Henry County Medical Center has entered into loan agreements with the Montgomery County Public Building Authority. Under these loan agreements, the authority loaned proceeds of \$4,500,000 and \$16,500,000 to the Henry County Medical Center. The Henry County Medical Center has used the loan proceeds for construction, acquisition, and/or enlargement of its buildings, structures, and facilities. As of June 30, 2007, the medical center had \$1,930,000 and \$14,902,000 outstanding on these loans. Henry County would become liable for the repayment of these loans in the event of default by the Henry County Medical Center.

Henry County is contingently liable for certain School Refunding Bonds, Series 2002, that were issued to advance refund the remaining outstanding bonds in the School Bonds, Series 1994, and Series 1995, issuances for the Paris Special School District. Additionally, Henry County is contingently liable for certain School Refunding, Series 1998, for the Paris Special School District. Henry County would become liable for these bonds and the interest thereon, in the event of default by the Paris Special School District. The principal of these general obligation bonds is reflected on the financial statements of the Paris Special School District. As of June 30, 2007, future requirements were \$1,046,250 (principal) and \$69,660 (interest).

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

D. Changes in Administration

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

E. Landfill Closure/Postclosure Care Costs

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

State and federal laws and regulations require the City of Paris to place a final cover on the landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Closure was completed on the old class I landfill during a prior audit period. The City of Paris Solid Waste Disposal Fund reports 100 percent of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The landfill closure and postclosure liability amounts were not available for the year ended June 30, 2007. The \$464,396 reported by the City of Paris as landfill closure and postclosure care liability at June 30, 2006, represents 67 percent of the total estimated capacity of the landfill and 33 percent of the estimated capacity of its class III and IV landfill. The City of Paris will recognize the remaining estimated closure and postclosure care costs of \$574,395 as the remaining estimated capacity is filled. These amounts are based on what it would have cost to perform all closure and postclosure care in 2006. The City of Paris performed closure activities on the class I area in the year 1997, but the beginning of the statutory postclosure monitoring of this area will not begin until the entire landfill is closed. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. As noted, Henry County has contractually agreed to pay 50 percent of the closure and postclosure costs and has reflected a liability for landfill closure/postclosure care costs of \$232,198, based on June 30, 2006, amounts in the government-wide financial statements as of June 30, 2007.

F. Joint Ventures

The Twenty-Fourth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twenty-Fourth Judicial District; Benton, Carroll, Decatur, Hardin, and Henry counties; and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney, sheriffs, and police chiefs of participating law enforcement agencies within the judicial district. Henry County made no contributions to the DTF for the year ended June 30, 2007, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

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

The W.G. Rhea Paris – Henry County Library is a regional library owned by Henry County and the City of Paris and operated by the W.G. Rhea Paris – Henry County Library Board. The board includes seven members, four appointed by the Henry County Commission and three of whom are appointed by the City of Paris. Henry County has control over budgeting and financing the joint venture only to the extent of representation by the four board members appointed and is responsible for funding 50 percent of any deficits from operations. Henry County contributed \$108,000 to the operations of the board during the year ended June 30, 2007. Complete financial statements for the W.G. Rhea Paris – Henry County Library can be obtained from the County Clerk’s Office or the library board’s administrative office at the following address:

Administrative Office:

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

The Carroll - Henry County Railroad Authority was jointly created in November 1988 by Carroll and Henry counties. The authority was established as a conduit for payment of funds between the Tennessee Department of Transportation and the Kentucky – West Tennessee Railroad Company to rehabilitate the railroad between the Kentucky stateline and Bruceton, Tennessee, including a lead to Spinks, Tennessee. The authority

comprises four members. One member from each county is appointed by the County Commission, and the county mayors of each county serve as members and rotate every two years as chairman. Complete financial statements for the Carroll - Henry County Railroad Authority can be obtained from the Henry County Mayor's Office.

G. Retirement Commitments

Employees

Plan Description

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

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

Funding Policy

Henry County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2007, was 7.68 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Henry County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2007, Henry County’s annual pension cost of \$2,088,222 to TCRS was equal to the required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Henry County’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was ten 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
6-30-07	\$2,088,222	100%	\$0
6-30-06	1,559,126	100	0
6-30-05	1,471,552	100	0

School Teachers

Plan Description

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

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the 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 <http://www.treasury.state.tn.us>.

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Henry County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2007, was 6.13 percent of annual covered payroll. The employer contribution requirement for the Henry County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2007, 2006, and 2005, were \$663,647, \$563,119, and \$550,786, respectively, equal to the required contributions for each year.

H. Other Post-employment Benefits

In addition to the retirement commitments described above, the Henry County School Department provides post-retirement health care benefits, in accordance with contract provisions, to all certified employees that meet length of employment criteria of ten years of service with the Henry County School System and a total of 25 years teaching experience. The School Department pays medical insurance in full for a single individual for a maximum of ten years or until Medicare becomes available. Expenditures for post-retirement health care benefits are recognized as premiums and are paid monthly. During the year, expenditures totaling \$89,482 were recognized for post-employment health care.

I. Purchasing Laws

Office of County Mayor

Purchasing procedures for the County Mayor's Office are governed by provisions of the County Purchasing Law of 1983, Section 5-14-201, Tennessee Code Annotated (TCA), which provides for purchases exceeding

\$5,000 (\$10,000 effective May 10, 2007) to be made after public advertisement and solicitation of competitive bids.

Office of County Road Supervisor

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

Office of Director of Schools

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

VI. OTHER NOTES – DISCRETELY PRESENTED HENRY COUNTY MEDICAL CENTER

A. Nature of Operations

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

B. Summary of Significant Accounting Policies

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

1. Basis of Presentation

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the medical center has elected to apply the provisions of

all relevant pronouncements of the Financial Accounting Standards Board (FASB), that do not conflict with or contradict GASB pronouncements.

2. Inventories

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

3. Assets Limited as to Use

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

4. Cash, Cash Equivalents, and Investments

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

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

At June 30, 2007, the total carrying value of the medical center's cash, cash equivalents and investments, including assets limited as to use, was \$20,279,788, and the bank balance was \$20,869,166. The entire financial institution balance was covered by federal depository insurance or by collateral held by the trustee in the medical center's name.

A 50 percent interest in a joint venture that provides cancer care services in the Henry County area is included in long-term investments on the accompanying balance sheet. This investment is accounted for under the equity method. The investment balance included in long-term investments is \$710,508 at June 30, 2007.

5. **Property and Equipment**

Property and equipment acquisitions are recorded at cost. The medical center capitalizes purchases that cost a minimum of \$500 and have a useful life greater than two years. Assets are depreciated on a straight-line basis over their estimated useful lives as follows: land improvements 5-20 years; buildings and improvements 5-40 years; capital equipment 10-20 years; and major movable equipment 5-20 years.

6. **Patient Service Revenue**

The medical center has agreements with third-party payors that provide for payments to the medical center at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Patient service revenue is net of contractual adjustments and policy discounts of approximately \$69,500,000 for the year ended June 30, 2007. For the year ended June 30, 2007, approximately 47 percent of net patient service revenue was from Medicare and approximately 15 percent was from Medicaid/TennCare.

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

7. **Costs of Borrowing**

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

8. **Pension Plan**

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

9. Compensated Absences

The medical center provides its full-time employees with paid days off for holiday, vacation, sick, and bereavement absences. The paid days off begin accruing after a three-month probationary period and are based on the table which follows. Such days may be taken only after the employee has earned them. All earned days must be taken annually, except that an employee may carry forward up to the normal number of hours worked in a four-week period. Such liabilities have been accrued in the accompanying balance sheet.

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

10. Risk Management

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

11. Net Assets

All resources that are not restricted by donors are included in unrestricted net assets. Resources temporarily restricted by donors for specific purposes are reported as temporarily restricted net assets. When specific purposes are achieved, either through passage of a stipulated time or the purpose for restriction is accomplished, they are classified to unrestricted net assets and reported in the statement of revenues, expenses, and changes in net assets. Resources temporarily restricted by donors for additions to land, building, and equipment are initially reported as temporarily restricted net assets and are transferred to unrestricted net assets when expended. Donor-imposed restrictions which stipulate that the resources be maintained permanently are reported as permanently restricted net assets. Investment income for the permanently restricted net assets is classified as either temporarily restricted or unrestricted based on the intent of the donor. At June 30, 2007, there were no permanently or temporarily restricted net assets.

12. Income Taxes

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

13. Performance Indicator

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

14. Long-lived Assets

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

15. Use of Estimates

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

C. Third-party Reimbursement Programs

The medical center receives revenue under various third-party reimbursement programs which include Medicare, TennCare, and other third-party payors. Contractual adjustments under third-party reimbursement programs represent the difference between the medical center's billings at its established rates and the amounts reimbursed by third-party payors. They also include any differences between estimated third-party reimbursement settlements for prior years and subsequent tentative or final settlements. The adjustments resulting from tentative or final settlements to estimated reimbursement amounts resulted in an increase to revenue of approximately \$512,000 for the year ended June 30, 2007.

1. **Medicare**

The medical center is paid for substantially all services rendered to inpatient Medicare program beneficiaries under prospectively determined rates-per-discharge. Those rates vary according to a classification system that is based on clinical, diagnostic, and other factors. The medical center is paid for outpatient, home health, emergency medical services, and psychiatric services under a Medicare program known as the Ambulatory Payment Classification (APC) system. Under the APC system, outpatient services are classified into APC categories based on standard procedure codes (CPT-4 Codes) for the service provided and payment for the APC categories are determined using prospectively determined federal payment rates adjusted for geographical area wage differences. The medical center receives cash payments at an interim rate with final settlement determined after the medical center's submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The medical center's classification of patients under the Medicare Prospective Payment System and the appropriateness of the patients' admissions are subject to validation reviews by the Medicare peer review organization.

2. **Medicaid**

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

3. **TennCare**

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

4. **Commercial Payors**

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

5. Credit Concentration

The medical center grants credit to patients and generally does not require collateral or other security in extending credit; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies. At June 30, 2007, the medical center had receivables from the Federal Government (Medicare) of approximately \$3,655,000 and from Medicaid/TennCare of approximately \$1,135,000.

D. Charity Care

Charges excluded from revenue under the medical center's charity care policy were \$2,710,620 for the year ended June 30, 2007.

E. Inventories

A summary of inventories as of June 30, 2007, is as follows:

Medical stores	\$ 99,993
Dietary	31,016
Departmental	<u>1,470,256</u>
Total	<u><u>\$ 1,601,265</u></u>

F. Property and Equipment

The major classifications and changes in property and equipment as of and for the year ended June 30, 2007, are as follows:

	Balance 7-1-06	Additions/ Transfers	Placed in Service/ Retirements	Balance 6-30-07
Land	\$ 655,041	\$ 0	\$ 0	\$ 655,041
Land Improvements	1,209,775	8,100	0	1,217,875
Building and Improvements	39,671,196	4,793,856	0	44,465,052
Machinery and Equipment	27,218,598	2,398,866	(3,789,443)	25,828,021
Total	<u>\$ 68,754,610</u>	<u>\$ 7,200,822</u>	<u>\$ (3,789,443)</u>	<u>\$ 72,165,989</u>

(Cont.)	Balance 7-1-06	Additions/ Transfers	Placed in Service/ Retirements	Balance 6-30-07
Less Allowance for Depreciation and and Amortization:				
Land Improvements	\$ (868,710)	\$ (75,160)	\$ 0	\$ (943,870)
Building and Improvements	(13,334,570)	(1,790,252)	42	(15,124,780)
Machinery and Equipment	(20,451,366)	(1,980,254)	3,717,177	(18,714,443)
Total	<u>\$ (34,654,646)</u>	<u>\$ (3,845,666)</u>	<u>\$ 3,717,219</u>	<u>\$ (34,783,093)</u>
Subtotal	\$ 34,099,964	\$ 3,355,156	\$ (72,224)	\$ 37,382,896
Construction in Progress	1,466,879	6,344,397	(4,966,694)	2,844,582
Total Capital Assets, Net	<u>\$ 35,566,843</u>	<u>\$ 9,699,553</u>	<u>\$ (5,038,918)</u>	<u>\$ 40,227,478</u>

The medical center is in the process of constructing various expansions and additions to the existing facilities. The total cost of these projects is expected to be approximately \$6,300,000. No interest costs were capitalized during the year ended June 30, 2007.

G. Long-term Debt

A schedule of changes in the medical center's long-term debt as of and for the year ended June 30, 2007, is as follows:

	Balance 7-1-06	Reductions	Balance 6-30-07	Amounts Due Within One Year
Public Building Authority of the County of Montgomery, Tennessee - Series 1997	\$ 2,258,000	\$ (328,000)	\$ 1,930,000	\$ 346,000
Public Building Authority of the County of Montgomery, Tennessee - Series 2002	15,331,000	(429,000)	14,902,000	451,000
Hospital Revenue Bonds - Series 2003	530,000	(260,288)	269,712	269,712
Other Debt	240,948	(104,472)	136,476	126,000
Total	<u>\$ 18,359,948</u>	<u>\$ (1,121,760)</u>	<u>\$ 17,238,188</u>	<u>\$ 1,192,712</u>

During September 1997, the medical center entered into a loan agreement with the Public Building Authority of the County of Montgomery, Tennessee, whereby, the authority loaned the medical center \$4,500,000 for the construction, acquisition, and enlargement of its buildings, structures, and facilities. As of June 30, 2007, the medical center had outstanding borrowings of \$1,930,000 under this agreement. The loan agreement bears interest at an adjustable rate (3.89 percent as of June 30, 2007), and is due in annual installments varying between \$346,000 and \$428,000 through May 25, 2012. The adjustable interest rate is adjusted weekly as determined by the remarketing agent.

During June 2002, the medical center entered into an additional loan agreement with the Public Building Authority of the County of Montgomery, Tennessee, whereby, the authority agreed to loan the medical center up to \$16,500,000 for the construction, acquisition, and enlargement of its buildings and facilities. As of June 30, 2007, the medical center had outstanding borrowings of \$14,902,000 under this agreement. The loan agreement bears interest at an adjustable rate (3.87 percent as of June 30, 2007), and is due in annual installments varying between \$451,000 and \$1,139,000 through May 25, 2027. The adjustable interest rate is adjusted daily as determined by the remarketing agent.

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

During January 2003, the medical center issued the Hospital Revenue Bonds, Series 2003 (2003 Revenue Bonds) resulting in gross proceeds of \$1,545,000 which were used to advance refund the Hospital Revenue Bonds, Series 1992 (1992 Revenue Bonds) and to pay a portion of the costs of issuance. The 1992 Revenue Bonds were primarily used to fund the costs associated with capital improvements of the medical center. Also as a result of the refinancing, the medical center was legally released as the obligor of the 1992 Revenue Bonds. The 2003 Revenue Bonds bear interest at rates varying between two percent and 2.5 percent and are due in semi-annual installments. The principal is due in an annual installment of \$269,712 on September 1, 2007. The 2003 Revenue Bonds are not subject to early redemption.

A summary of future maturities and interest of long-term debt, as of June 30, 2007, is as follows:

Year	Principal	Estimated Interest	Total Payments
2008	\$ 1,192,712	\$ 674,000	\$ 1,866,712
2009	858,948	639,000	1,497,948
2010	882,000	604,000	1,486,000
2011	928,000	567,000	1,495,000
2012	976,000	529,000	1,505,000
2013-2017	3,178,000	2,231,000	5,409,000
2018-2022	4,056,000	1,493,000	5,549,000
2023-2027	5,166,528	551,000	5,717,528
Total	\$ 17,238,188	\$ 7,288,000	\$ 24,526,188

H. Employee Benefit Plans

Pension Plan Description

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

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

I. Deferred Compensation Plan

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

J. Commitments and Contingencies

The medical center leases various equipment under operating lease agreements. Rent expense was \$789,979 in 2007.

A summary of future minimum payments under these equipment leases as of June 30, 2007, is as follows:

<u>Year</u>	<u>Amount</u>
2008	\$ 146,000
2009	120,000
2010	<u>40,000</u>
Total	<u>\$ 306,000</u>

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

The medical center is self-insured for a portion of employee medical and other healthcare benefits and workers' compensation claims. The risk of loss retained by the medical center is limited to \$130,000 and \$350,000 per occurrence for employee health and workers' compensation, respectively. The medical center has purchased excess insurance to provide coverage for claims in excess of the self-insured retention. Contributions by the medical center for employee health are based on actuarial estimates, while contributions for workers' compensation are based on actual claims experience. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include a provision for estimated claims incurred but not reported. Reserves included within accrued expenses related to employee medical and

other healthcare benefits amounted to \$788,000 in 2007. Reserves included within accrued expenses related to workers' compensation claims amounted to \$584,867 in 2007.

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

The medical center serves as the guarantor on debt issued to the joint venture in which it holds a 50 percent interest. The balance of the debt as of June 30, 2007, was approximately \$340,000.

K. Functional Expenses

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

Healthcare services	\$ 38,220,233
General and administrative	<u>22,727,667</u>
Total	<u>\$ 60,947,900</u>

VII. OTHER NOTES - DISCRETELY PRESENTED HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT

A. Nature of Activities and Summary of Significant Accounting Policies

1. Nature of Activities

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

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

2. Basis of Accounting and Financial Statement Presentation

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

The Governmental Accounting Standards Board (GASB) exercises jurisdiction over accounting and financial reporting for governments. The Financial Accounting Standards Board (FASB) exercises jurisdiction over private enterprises and nonprofits. The Office of the Comptroller of the Treasury requires Tennessee emergency communications districts to follow option one of GASB Statement No. 20. This option requires the district to follow only GASB guidance after November 30, 1989, and not to follow any FASB guidance after that date.

3. Use of Estimates

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

4. Accounts Receivable

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

5. Budgetary Policies

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

6. Cash and Cash Equivalents

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

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

7. Capital Assets

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

<u>Assets</u>	<u>Years</u>
Office Furniture and Fixtures	10
Equipment	10
Vehicles	5
Building and Improvements	40
Leasehold Improvements (life of the lease or life of the assets, whichever is less)	

Capital assets activity during the year was as follows:

	Balance 7-1-06	Additions	Balance 6-30-07
Capital assets being depreciated:			
Furniture and fixtures	\$ 33,612	\$ 259	\$ 33,871
Office equipment	13,751	3,039	16,790
Communications equipment	525,828	104,404	630,232
Vehicles	22,688	0	22,688
Total capital assets being depreciated	\$ 595,879	\$ 107,702	\$ 703,581
Less accumulated depreciation:			
Furniture and fixtures	\$ 13,273	\$ 3,230	\$ 16,503
Office equipment	8,398	1,900	10,298
Communications equipment	308,279	47,679	355,958
Vehicles	22,290	72	22,362
Total accumulated depreciation	\$ 352,240	\$ 52,881	\$ 405,121
Total capital assets, net	\$ 243,639	\$ 54,821	\$ 298,460

8. Income Taxes

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

B. Deposits and Investments

Custodial Credit Risk – The district’s policies limit investments to those instruments allowed by applicable state laws. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105 percent of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance of the Tennessee Bank Collateral Pool, by collateral held by the district’s agent in the district’s name, or by the Federal Reserve Banks acting as third party agents. As of June 30, 2007, all bank deposits were fully collateralized or insured.

C. Major Revenue Source

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

D. Risk Management

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Henry County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 General Fund
 For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 4,433,874	\$ 0	\$ 0	\$ 4,433,874	\$ 4,522,040	\$ 4,522,349	\$ (88,475)
Licenses and Permits	100,101	0	0	100,101	100,000	100,000	101
Fines, Forfeitures, and Penalties	245,779	0	0	245,779	266,800	266,800	(21,021)
Charges for Current Services	89,628	0	0	89,628	99,430	103,830	(14,202)
Other Local Revenues	370,897	0	0	370,897	389,670	473,445	(102,548)
Fees Received from County Officials	1,573,822	0	0	1,573,822	1,512,600	1,512,600	61,222
State of Tennessee	2,313,745	0	0	2,313,745	2,135,545	2,396,545	(82,800)
Federal Government	242,310	0	0	242,310	24,661	303,801	(61,491)
Other Governments and Citizens Groups	83,863	0	0	83,863	0	89,000	(5,137)
Total Revenues	\$ 9,454,019	\$ 0	\$ 0	\$ 9,454,019	\$ 9,050,746	\$ 9,768,370	\$ (314,351)
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 36,101	\$ 0	\$ 0	\$ 36,101	\$ 33,850	\$ 37,350	\$ 1,249
Board of Equalization	560	0	0	560	1,500	1,500	940
Other Boards and Committees	5,275	0	0	5,275	7,000	7,000	1,725
County Mayor/Executive	188,655	0	0	188,655	191,625	192,815	4,160
County Attorney	18,667	0	0	18,667	18,667	18,667	0
Election Commission	339,852	0	0	339,852	155,415	380,215	40,363
Register of Deeds	177,514	0	0	177,514	179,533	179,533	2,019
Building	73,927	0	0	73,927	71,011	75,861	1,934
County Buildings	164,854	0	0	164,854	153,500	168,000	3,146
Other General Administration	114,750	0	0	114,750	112,984	116,984	2,234
Preservation of Records	2,208	0	0	2,208	1,500	3,500	1,292
<u>Finance</u>							
Accounting and Budgeting	87,190	0	0	87,190	88,461	89,061	1,871
Property Assessor's Office	188,105	0	0	188,105	195,991	195,991	7,886

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Finance (Cont.)</u>							
Reappraisal Program	\$ 74,104	\$ 0	\$ 0	\$ 74,104	\$ 80,027	\$ 80,027	\$ 5,923
County Trustee's Office	166,310	0	0	166,310	167,090	169,986	3,676
County Clerk's Office	209,099	0	0	209,099	225,996	226,246	17,147
<u>Administration of Justice</u>							
Circuit Court	194,796	0	0	194,796	199,624	199,624	4,828
General Sessions Court	73,274	0	0	73,274	73,548	73,548	274
General Sessions Judge	156,984	0	0	156,984	154,804	210,342	53,358
Drug Court	13,480	0	0	13,480	0	15,000	1,520
Chancery Court	157,198	0	0	157,198	166,818	169,218	12,020
Juvenile Court	152,183	0	0	152,183	153,012	157,081	4,898
Other Administration of Justice	25,510	0	0	25,510	10,000	25,510	0
<u>Public Safety</u>							
Sheriff's Department	1,675,037	0	2,013	1,677,050	1,693,213	1,713,863	36,813
Special Patrols	74,029	0	0	74,029	79,000	79,000	4,971
Jail	1,031,463	0	0	1,031,463	1,152,962	1,153,761	122,298
Juvenile Services	57,103	0	0	57,103	57,787	57,332	229
Fire Prevention and Control	29,250	0	0	29,250	33,200	33,200	3,950
Rescue Squad	4,800	0	0	4,800	4,800	4,800	0
Other Emergency Management	134,073	0	0	134,073	114,981	144,057	9,984
County Coroner/Medical Examiner	44,574	0	0	44,574	35,200	47,542	2,968
Public Safety Grant Programs	26,355	0	0	26,355	8,871	36,597	10,242
Other Public Safety	28,416	0	0	28,416	0	0	(28,416)
<u>Public Health and Welfare</u>							
Local Health Center	86,325	0	0	86,325	113,474	118,674	32,349
Rabies and Animal Control	5,499	0	0	5,499	4,000	5,500	1
Maternal and Child Health Services	1,350	0	0	1,350	1,350	1,350	0

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Public Health and Welfare (Cont.)</u>							
Alcohol and Drug Programs	\$ 3,125	\$ 0	\$ 0	\$ 3,125	\$ 12,000	\$ 12,000	\$ 8,875
Crippled Children Services	2,660	0	0	2,660	2,660	2,660	0
Other Local Health Services	16,850	0	0	16,850	16,850	16,850	0
Sanitation Management	17,464	0	0	17,464	17,464	17,464	0
<u>Social, Cultural, and Recreational Services</u>							
Adult Activities	104,009	0	0	104,009	115,806	115,806	11,797
Senior Citizens Assistance	0	0	0	0	800	800	800
Libraries	108,000	0	0	108,000	108,000	108,000	0
Parks and Fair Boards	21,000	0	0	21,000	21,000	21,000	0
Other Social, Cultural, and Recreational	30,310	0	0	30,310	30,676	35,676	5,366
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	125,582	0	0	125,582	126,121	127,864	2,282
Soil Conservation	29,443	0	0	29,443	29,556	29,556	113
Flood Control	21,808	0	0	21,808	21,808	21,808	0
<u>Other Operations</u>							
Tourism	17,050	0	0	17,050	26,550	26,550	9,500
Tourism-Resort District	172,456	(60,000)	0	112,456	530,506	530,506	418,050
Industrial Development	219,253	0	0	219,253	222,000	343,355	124,102
Airport	281,932	0	0	281,932	354,232	354,232	72,300
Veterans' Services	29,155	0	0	29,155	32,780	34,230	5,075
Other Charges	112,162	0	0	112,162	120,108	120,883	8,721
Contributions to Other Agencies	241,147	0	0	241,147	82,254	241,148	1
Employee Benefits	1,198,283	0	0	1,198,283	1,273,431	1,274,781	76,498
Miscellaneous	60,978	0	0	60,978	12,500	63,729	2,751
Total Expenditures	\$ 8,631,537	\$ (60,000)	\$ 2,013	\$ 8,573,550	\$ 8,897,896	\$ 9,687,633	\$ 1,114,083

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Excess (Deficiency) of Revenues Over Expenditures	\$ 822,482	\$ 60,000	\$ (2,013)	\$ 880,469	\$ 152,850	\$ 80,737	\$ 799,732
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 7,900	\$ 0	\$ 0	\$ 7,900	\$ 0	\$ 0	\$ 7,900
Transfers In	0	0	0	0	89,000	0	0
Transfers Out	(429,954)	0	0	(429,954)	(435,000)	(435,000)	5,046
Total Other Financing Sources (Uses)	\$ (422,054)	\$ 0	\$ 0	\$ (422,054)	\$ (346,000)	\$ (435,000)	\$ 12,946
Net Change in Fund Balance	\$ 400,428	\$ 60,000	\$ (2,013)	\$ 458,415	\$ (193,150)	\$ (354,263)	\$ 812,678
Fund Balance, July 1, 2006	3,345,203	(60,000)	0	3,285,203	2,986,457	2,986,457	298,746
Fund Balance, June 30, 2007	\$ 3,745,631	\$ 0	\$ (2,013)	\$ 3,743,618	\$ 2,793,307	\$ 2,632,194	\$ 1,111,424

Exhibit E-2

Henry County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 Highway/Public Works Fund
 For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 1,339,228	\$ 0	\$ 0	\$ 1,339,228	\$ 1,757,348	\$ 1,322,348	\$ 16,880
Other Local Revenues	37,970	0	0	37,970	21,700	24,500	13,470
State of Tennessee	2,012,879	0	0	2,012,879	2,442,075	2,445,075	(432,196)
Federal Government	7,478	0	0	7,478	0	0	7,478
Other Governments and Citizens Groups	5,000	0	0	5,000	0	5,000	0
Total Revenues	\$ 3,402,555	\$ 0	\$ 0	\$ 3,402,555	\$ 4,221,123	\$ 3,796,923	\$ (394,368)
<u>Expenditures</u>							
<u>Highways</u>							
Administration	\$ 257,514	\$ 0	\$ 0	\$ 257,514	\$ 259,380	\$ 260,464	\$ 2,950
Highway and Bridge Maintenance	1,353,086	0	0	1,353,086	1,439,510	1,480,206	127,120
Operation and Maintenance of Equipment	604,804	0	0	604,804	599,111	620,611	15,807
Quarry Operations	0	0	0	0	1,000	1,000	1,000
Litter and Trash Collection	36,782	0	0	36,782	35,281	38,281	1,499
Other Charges	195,031	0	0	195,031	241,258	244,197	49,166
Employee Benefits	474,902	0	0	474,902	459,045	483,975	9,073
Capital Outlay	1,370,476	(345,888)	359,829	1,384,417	1,396,606	1,611,928	227,511
<u>Principal on Debt</u>							
Highways and Streets	50,000	0	0	50,000	0	50,000	0
<u>Interest on Debt</u>							
Highways and Streets	5,857	0	0	5,857	0	5,858	1
Total Expenditures	\$ 4,348,452	\$ (345,888)	\$ 359,829	\$ 4,362,393	\$ 4,431,191	\$ 4,796,520	\$ 434,127
Excess (Deficiency) of Revenues Over Expenditures	\$ (945,897)	\$ 345,888	\$ (359,829)	\$ (959,838)	\$ (210,068)	\$ (999,597)	\$ 39,759

(Continued)

Exhibit E-2

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 5,117	\$ 0	\$ 0	\$ 5,117	\$ 0	\$ 0	\$ 5,117
Transfers In	429,954	0	0	429,954	0	434,700	(4,746)
Total Other Financing Sources (Uses)	<u>\$ 435,071</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 435,071</u>	<u>\$ 0</u>	<u>\$ 434,700</u>	<u>\$ 371</u>
Net Change in Fund Balance	\$ (510,826)	\$ 345,888	\$ (359,829)	\$ (524,767)	\$ (210,068)	\$ (564,897)	\$ 40,130
Fund Balance, July 1, 2006	1,147,926	(345,888)	0	802,038	604,782	1,147,926	(345,888)
Fund Balance, June 30, 2007	<u>\$ 637,100</u>	<u>\$ 0</u>	<u>\$ (359,829)</u>	<u>\$ 277,271</u>	<u>\$ 394,714</u>	<u>\$ 583,029</u>	<u>\$ (305,758)</u>

Exhibit E-3

Henry County, Tennessee
Schedule of Funding Progress – Pension Plan
June 30, 2007

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-05	\$ 45,805	\$ 47,741	1,936	95.94 %	\$ 25,380	7.63 %
6-30-03	40,201	42,383	2,182	94.85	20,420	10.69
6-30-01	35,553	37,869	2,316	93.88	17,582	13.17

HENRY COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2007

A. BUDGETARY INFORMATION

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

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

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

B. PRIOR YEAR CASH SHORTAGE

As noted in the Annual Financial Report for the year ended June 30, 2006, a cash shortage totaling \$162,658 existed in the General (\$118,878), Drug Control (\$23,502), and General Capital Projects (\$20,278) funds as a result of irregularities in the Office of Sheriff. Subsequent to June 30, 2007, former Sheriff David Bumpus, former business manager Faye Scott, and former owner of Elite Firearms, Jason Ferren, all pled guilty to various charges and received various sentences and fines. The three defendants have been ordered to pay restitution totaling \$71,512. This amount is net of estimated auction proceeds of items recovered from David Bumpus.

B. EXPENDITURES EXCEEDED APPROPRIATIONS

Expenditures and encumbrances exceeded appropriations approved by the County Commission in the Other Public Safety major appropriation category (the legal level of control) of the General Fund by \$28,416. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

Capital Projects Fund

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

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

Exhibit F-1

Henry County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Total	General Capital Projects	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 17,348	\$ 17,348	\$ 0	\$ 17,348
Equity in Pooled Cash and Investments	244,016	244,730	0	488,746	167,526	656,272
Due from Other Governments	8,872	0	0	8,872	9,450	18,322
Property Taxes Receivable	294,977	0	0	294,977	0	294,977
Allowance for Uncollectible Property Taxes	(4,151)	0	0	(4,151)	0	(4,151)
Cash Shortage	0	23,502	0	23,502	20,278	43,780
Total Assets	\$ 543,714	\$ 268,232	\$ 17,348	\$ 829,294	\$ 197,254	\$ 1,026,548
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Due to Other Funds	\$ 0	\$ 0	\$ 17,348	\$ 17,348	\$ 0	\$ 17,348
Deferred Revenue - Current Property Taxes	276,645	0	0	276,645	0	276,645
Deferred Revenue - Delinquent Property Taxes	13,293	0	0	13,293	0	13,293
Total Liabilities	\$ 289,938	\$ 0	\$ 17,348	\$ 307,286	\$ 0	\$ 307,286
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 0	\$ 4,908	\$ 0	\$ 4,908	\$ 0	\$ 4,908
Reserved for Purchase of Electronic Fingerprint Imaging System	0	15,815	0	15,815	0	15,815
Unreserved	253,776	247,509	0	501,285	197,254	698,539
Total Fund Balances	\$ 253,776	\$ 268,232	\$ 0	\$ 522,008	\$ 197,254	\$ 719,262
Total Liabilities and Fund Balances	\$ 543,714	\$ 268,232	\$ 17,348	\$ 829,294	\$ 197,254	\$ 1,026,548

Exhibit F-2

Henry County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	Special Revenue Funds				Capital	Total
	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Total	Projects Fund General Capital Projects	
<u>Revenues</u>						
Local Taxes	\$ 286,494	\$ 0	\$ 0	\$ 286,494	\$ 0	\$ 286,494
Fines, Forfeitures, and Penalties	0	29,058	0	29,058	0	29,058
Charges for Current Services	0	0	7,577	7,577	0	7,577
Other Local Revenues	167,498	7,050	0	174,548	0	174,548
State of Tennessee	28,589	0	0	28,589	72,807	101,396
Other Governments and Citizens Groups	0	10,537	0	10,537	0	10,537
Total Revenues	\$ 482,581	\$ 46,645	\$ 7,577	\$ 536,803	\$ 72,807	\$ 609,610
<u>Expenditures</u>						
Current:						
Finance	\$ 0	\$ 0	\$ 3,477	\$ 3,477	\$ 0	\$ 3,477
Administration of Justice	0	0	4,100	4,100	0	4,100
Public Safety	0	86,477	0	86,477	0	86,477
Public Health and Welfare	551,565	0	0	551,565	0	551,565
Other Operations	5,551	0	0	5,551	0	5,551
Capital Projects	0	0	0	0	750,732	750,732
Total Expenditures	\$ 557,116	\$ 86,477	\$ 7,577	\$ 651,170	\$ 750,732	\$ 1,401,902
Excess (Deficiency) of Revenues						
Over Expenditures	\$ (74,535)	\$ (39,832)	\$ 0	\$ (114,367)	\$ (677,925)	\$ (792,292)
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 740,234	\$ 740,234
Proceeds from Sale of Capital Assets	0	222,111	0	222,111	0	222,111
Total Other Financing Sources (Uses)	\$ 0	\$ 222,111	\$ 0	\$ 222,111	\$ 740,234	\$ 962,345
Net Change in Fund Balances						
Fund Balance, July 1, 2006	\$ (74,535)	\$ 182,279	\$ 0	\$ 107,744	\$ 62,309	\$ 170,053
	328,311	85,953	0	414,264	134,945	549,209
Fund Balance, June 30, 2007	\$ 253,776	\$ 268,232	\$ 0	\$ 522,008	\$ 197,254	\$ 719,262

Exhibit F-3

Henry County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 286,494	\$ 293,168	\$ 293,168	\$ (6,674)
Other Local Revenues	167,498	166,300	166,300	1,198
State of Tennessee	28,589	50,433	52,708	(24,119)
Total Revenues	<u>\$ 482,581</u>	<u>\$ 509,901</u>	<u>\$ 512,176</u>	<u>\$ (29,595)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 46,392	\$ 51,045	\$ 49,345	\$ 2,953
Recycling Center	448,804	432,065	458,708	9,904
Landfill Operation and Maintenance	25,011	67,000	67,000	41,989
Other Waste Disposal	31,358	29,000	31,360	2
<u>Other Operations</u>				
Other Charges	5,551	7,000	7,000	1,449
Total Expenditures	<u>\$ 557,116</u>	<u>\$ 586,110</u>	<u>\$ 613,413</u>	<u>\$ 56,297</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (74,535)</u>	<u>\$ (76,209)</u>	<u>\$ (101,237)</u>	<u>\$ 26,702</u>
Net Change in Fund Balance	\$ (74,535)	\$ (76,209)	\$ (101,237)	\$ 26,702
Fund Balance, July 1, 2006	<u>328,311</u>	<u>319,265</u>	<u>319,265</u>	<u>9,046</u>
Fund Balance, June 30, 2007	<u>\$ 253,776</u>	<u>\$ 243,056</u>	<u>\$ 218,028</u>	<u>\$ 35,748</u>

Exhibit F-4

Henry 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, 2007

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 29,058	\$ 0	\$ 29,058	\$ 19,500	\$ 24,500	\$ 4,558
Other Local Revenues	7,050	0	7,050	8,000	8,000	(950)
Other Governments and Citizens Groups	10,537	0	10,537	4,900	4,900	5,637
Total Revenues	\$ 46,645	\$ 0	\$ 46,645	\$ 32,400	\$ 37,400	\$ 9,245
<u>Expenditures</u>						
<u>Public Safety</u>						
Drug Enforcement	\$ 86,477	\$ 4,908	\$ 91,385	\$ 27,300	\$ 97,927	\$ 6,542
Total Expenditures	\$ 86,477	\$ 4,908	\$ 91,385	\$ 27,300	\$ 97,927	\$ 6,542
Excess (Deficiency) of Revenues Over Expenditures	\$ (39,832)	\$ (4,908)	\$ (44,740)	\$ 5,100	\$ (60,527)	\$ 15,787
<u>Other Financing Sources (Uses)</u>						
Proceeds from Sale of Capital Assets	\$ 222,111	\$ 0	\$ 222,111	\$ 0	\$ 222,111	\$ 0
Total Other Financing Sources (Uses)	\$ 222,111	\$ 0	\$ 222,111	\$ 0	\$ 222,111	\$ 0
Net Change in Fund Balance	\$ 182,279	\$ (4,908)	\$ 177,371	\$ 5,100	\$ 161,584	\$ 15,787
Fund Balance, July 1, 2006	85,953	0	85,953	5,100	5,100	80,853
Fund Balance, June 30, 2007	\$ 268,232	\$ (4,908)	\$ 263,324	\$ 10,200	\$ 166,684	\$ 96,640

Major Governmental Fund

General Debt Service Fund

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

Exhibit G

Henry County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 716,556	\$ 721,484	\$ 721,484	\$ (4,928)
Other Local Revenues	354,909	180,000	188,000	166,909
Other Governments and Citizens Groups	1,462,701	1,462,701	1,461,701	1,000
Total Revenues	<u>\$ 2,534,166</u>	<u>\$ 2,364,185</u>	<u>\$ 2,371,185</u>	<u>\$ 162,981</u>
<u>Expenditures</u>				
<u>Other Operations</u>				
Other Charges	\$ 13,180	\$ 11,500	\$ 15,500	\$ 2,320
<u>Principal on Debt</u>				
General Government	686,362	686,362	686,362	0
Education	1,011,475	1,011,475	1,011,475	0
<u>Interest on Debt</u>				
General Government	111,721	123,895	123,895	12,174
Education	680,589	685,826	685,826	5,237
<u>Other Debt Service</u>				
General Government	10,425	11,000	11,000	575
Education	9,526	10,000	14,000	4,474
Total Expenditures	<u>\$ 2,523,278</u>	<u>\$ 2,540,058</u>	<u>\$ 2,548,058</u>	<u>\$ 24,780</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 10,888</u>	<u>\$ (175,873)</u>	<u>\$ (176,873)</u>	<u>\$ 187,761</u>
Net Change in Fund Balance	\$ 10,888	\$ (175,873)	\$ (176,873)	\$ 187,761
Fund Balance, July 1, 2006	<u>3,140,458</u>	<u>3,135,196</u>	<u>3,135,196</u>	<u>5,262</u>
Fund Balance, June 30, 2007	<u>\$ 3,151,346</u>	<u>\$ 2,959,323</u>	<u>\$ 2,958,323</u>	<u>\$ 193,023</u>

Fiduciary Funds

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

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

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

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

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

Exhibit H-1

Henry County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
For the Year Ended June 30, 2007

	Agency Funds				Total
	Cities - Sales Tax	Watershed District	Special School District	Constitu- tional Officers - Agency	
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 0	\$ 1,606	\$ 87,680	\$ 0	\$ 89,286
Cash	0	0	0	997,158	997,158
Due from Other Governments	860,246	0	376,898	0	1,237,144
Property Taxes Receivable	0	0	3,212,951	0	3,212,951
Allowance for Uncollectible Property Taxes	0	0	(31,360)	0	(31,360)
Total Assets	<u>\$ 860,246</u>	<u>\$ 1,606</u>	<u>\$ 3,646,169</u>	<u>\$ 997,158</u>	<u>\$ 5,505,179</u>
<u>LIABILITIES</u>					
Due to Other Taxing Units	\$ 860,246	\$ 1,606	\$ 3,646,169	\$ 0	\$ 4,508,021
Due to Litigants, Heirs, and Others	0	0	0	997,158	997,158
Total Liabilities	<u>\$ 860,246</u>	<u>\$ 1,606</u>	<u>\$ 3,646,169</u>	<u>\$ 997,158</u>	<u>\$ 5,505,179</u>

Exhibit H-2

Henry County, Tennessee
Combining Statement of Changes in Assets
and Liabilities - All Agency Funds
For the Year Ended June 30, 2007

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 3,015,039	\$ 3,015,039	\$ 0
Due from Other Governments	575,489	860,246	575,489	860,246
Total Assets	\$ 575,489	\$ 3,875,285	\$ 3,590,528	\$ 860,246
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 575,489	\$ 3,875,285	\$ 3,590,528	\$ 860,246
Total Liabilities	\$ 575,489	\$ 3,875,285	\$ 3,590,528	\$ 860,246
<u>Watershed District Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 1,606	\$ 0	\$ 0	\$ 1,606
Total Assets	\$ 1,606	\$ 0	\$ 0	\$ 1,606
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,606	\$ 0	\$ 0	\$ 1,606
Total Liabilities	\$ 1,606	\$ 0	\$ 0	\$ 1,606
<u>Special School District Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 208,989	\$ 4,209,447	\$ 4,330,756	\$ 87,680
Due from Other Governments	247,110	376,898	247,110	376,898
Property Taxes Receivable	3,082,537	3,212,951	3,082,537	3,212,951
Allowance for Uncollectible Property Taxes	(36,688)	(31,360)	(36,688)	(31,360)
Total Assets	\$ 3,501,948	\$ 7,767,936	\$ 7,623,715	\$ 3,646,169
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 3,501,948	\$ 7,767,936	\$ 7,623,715	\$ 3,646,169
Total Liabilities	\$ 3,501,948	\$ 7,767,936	\$ 7,623,715	\$ 3,646,169

(Continued)

Exhibit H-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 989,699	\$ 7,716,231	\$ 7,708,772	\$ 997,158
Total Assets	\$ 989,699	\$ 7,716,231	\$ 7,708,772	\$ 997,158
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 989,699	\$ 7,716,231	\$ 7,708,772	\$ 997,158
Total Liabilities	\$ 989,699	\$ 7,716,231	\$ 7,708,772	\$ 997,158
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 210,595	\$ 7,224,486	\$ 7,345,795	\$ 89,286
Cash	989,699	7,716,231	7,708,772	997,158
Due from Other Governments	822,599	1,237,144	822,599	1,237,144
Property Taxes Receivable	3,082,537	3,212,951	3,082,537	3,212,951
Allowance for Uncollectible Property Taxes	(36,688)	(31,360)	(36,688)	(31,360)
Total Assets	\$ 5,068,742	\$ 19,359,452	\$ 18,923,015	\$ 5,505,179
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 4,079,043	\$ 11,643,221	\$ 11,214,243	\$ 4,508,021
Due to Litigants, Heirs, and Others	989,699	7,716,231	7,708,772	997,158
Total Liabilities	\$ 5,068,742	\$ 19,359,452	\$ 18,923,015	\$ 5,505,179

Henry County School Department

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

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

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

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

Exhibit I-1

Henry County, Tennessee
Statement of Activities
Discretely Presented Henry County School Department
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets Total Governmental Activities
Governmental Activities:					
Instruction	\$ 14,831,075	\$ 1,500	\$ 1,931,488	\$ 107,776	\$ (12,790,311)
Support Services	7,428,926	49,468	757,237	0	(6,622,221)
Operation of Non-Instructional Services	2,149,331	695,538	1,164,045	0	(289,748)
Interest on Long-term Debt	1,462,701	0	0	0	(1,462,701)
Total Governmental Activities	\$ 25,872,033	\$ 746,506	\$ 3,852,770	\$ 107,776	\$ (21,164,981)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 4,340,691
Local Option Sales Taxes					2,685,626
Other Local Taxes					126,854
Grants and Contributions Not Restricted to Specific Programs					13,595,594
Unrestricted Investment Income					118,750
Miscellaneous					55,600
Total General Revenues					\$ 20,923,115
Change in Net Assets					\$ (241,866)
Net Assets, July 1, 2006					32,700,675
Net Assets, June 30, 2007					\$ 32,458,809

Exhibit I-2

Henry County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Henry County School Department
June 30, 2007

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 1,978,313	\$ 447,306	\$ 2,425,619
Accounts Receivable	76,105	0	76,105
Due from Other Governments	1,324,963	56,625	1,381,588
Due from Other Funds	11,701	0	11,701
Property Taxes Receivable	4,657,355	0	4,657,355
Allowance for Uncollectible Property Taxes	(45,738)	0	(45,738)
Total Assets	<u>\$ 8,002,699</u>	<u>\$ 503,931</u>	<u>\$ 8,506,630</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 37,145	\$ 30,468	\$ 67,613
Accrued Payroll	3,841	1,000	4,841
Retainage Payable	13,008	0	13,008
Due to Other Funds	0	11,701	11,701
Deferred Revenue - Current Property Taxes	4,377,838	0	4,377,838
Deferred Revenue - Delinquent Property Taxes	219,751	0	219,751
Other Deferred Revenues	241,169	0	241,169
Total Liabilities	<u>\$ 4,892,752</u>	<u>\$ 43,169</u>	<u>\$ 4,935,921</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 631,630	\$ 1,563	\$ 633,193
Other Local Education Reserves	73,673	0	73,673
Reserved for Driver Education	10,175	0	10,175
Reserved for Career Ladder - Extended Contract	109,904	0	109,904
Reserved for Career Ladder Program	7,045	0	7,045
Reserved for Basic Education Program	35,264	0	35,264
Other State Education Reserves	48,345	0	48,345
Reserved for Special Education - Grants to States	0	3,555	3,555
Other Federal Reserves	0	1,465	1,465
Unreserved, Reported In:			
General Fund	2,193,911	0	2,193,911
Special Revenue Funds	0	454,179	454,179
Total Fund Balances	<u>\$ 3,109,947</u>	<u>\$ 460,762</u>	<u>\$ 3,570,709</u>
Total Liabilities and Fund Balances	<u>\$ 8,002,699</u>	<u>\$ 503,931</u>	<u>\$ 8,506,630</u>

Exhibit I-3

Henry County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
Discretely Presented Henry County School Department
June 30, 2007

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)		\$	3,570,709
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	610,066	
Add: construction in progress		179,878	
Add: buildings and improvements net of accumulated depreciation		26,144,930	
Add: other capital assets net of accumulated depreciation		<u>1,567,349</u>	28,502,223
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			460,920
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: compensated absences payable			<u>(75,043)</u>
Net assets of governmental activities (Exhibit A)		\$	<u>32,458,809</u>

Exhibit I-4

Henry County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Henry County School Department
For the Year Ended June 30, 2007

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 7,227,492	\$ 0	\$ 7,227,492
Licenses and Permits	1,884	0	1,884
Charges for Current Services	117,279	628,117	745,396
Other Local Revenues	220,136	4,756	224,892
State of Tennessee	13,619,227	17,182	13,636,409
Federal Government	478,309	2,634,569	3,112,878
Other Governments and Citizens Groups	499,872	0	499,872
Total Revenues	<u>\$ 22,164,199</u>	<u>\$ 3,284,624</u>	<u>\$ 25,448,823</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 11,842,735	\$ 1,406,891	\$ 13,249,626
Support Services	7,048,106	482,077	7,530,183
Operation of Non-Instructional Services	628,278	1,447,020	2,075,298
Capital Outlay	543,345	0	543,345
Debt Service:			
Other Debt Service	1,462,701	0	1,462,701
Total Expenditures	<u>\$ 21,525,165</u>	<u>\$ 3,335,988</u>	<u>\$ 24,861,153</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 639,034</u>	<u>\$ (51,364)</u>	<u>\$ 587,670</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 120,239	\$ 0	\$ 120,239
Transfers In	13,131	0	13,131
Transfers Out	0	(13,131)	(13,131)
Total Other Financing Sources (Uses)	<u>\$ 133,370</u>	<u>\$ (13,131)</u>	<u>\$ 120,239</u>
Net Change in Fund Balances	\$ 772,404	\$ (64,495)	\$ 707,909
Fund Balance, July 1, 2006	<u>2,337,543</u>	<u>525,257</u>	<u>2,862,800</u>
Fund Balance, June 30, 2007	<u>\$ 3,109,947</u>	<u>\$ 460,762</u>	<u>\$ 3,570,709</u>

Exhibit I-5

Henry County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Henry County School Department
For the Year Ended June 30, 2007

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)		\$	707,909
(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 acquired in the current period	\$	883,734	
Less: current year depreciation expense		<u>(1,903,782)</u>	(1,020,048)
(2) The net effect of various miscellaneous transactions involving capital assets (sales and donations) is to decrease net assets.			
Less: loss on disposal of capital assets			<u>(2,520)</u>
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes/other deferred June 30, 2007	\$	460,920	
Less: deferred delinquent property taxes/other deferred June 30, 2006		<u>(395,560)</u>	65,360
(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 compensated absences			<u>7,433</u>
Change in net assets of governmental activities (Exhibit B)		\$	<u><u>(241,866)</u></u>

Exhibit I-6

Henry County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Henry County School Department
June 30, 2007

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>School</u>	<u>Central</u>	<u>Nonmajor</u>
	<u>Federal</u>	<u>Cafeteria</u>	<u>Governmental</u>
	<u>Projects</u>		<u>Funds</u>
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 3,192	\$ 444,114	\$ 447,306
Due from Other Governments	46,560	10,065	56,625
Total Assets	<u>\$ 49,752</u>	<u>\$ 454,179</u>	<u>\$ 503,931</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 30,468	\$ 0	\$ 30,468
Accrued Payroll	1,000	0	1,000
Due to Other Funds	11,701	0	11,701
Total Liabilities	<u>\$ 43,169</u>	<u>\$ 0</u>	<u>\$ 43,169</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 1,563	\$ 0	\$ 1,563
Reserved for Special Education - Grants to States	3,555	0	3,555
Other Federal Reserves	1,465	0	1,465
Unreserved	0	454,179	454,179
Total Fund Balances	<u>\$ 6,583</u>	<u>\$ 454,179</u>	<u>\$ 460,762</u>
Total Liabilities and Fund Balances	<u>\$ 49,752</u>	<u>\$ 454,179</u>	<u>\$ 503,931</u>

Exhibit I-7

Henry County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Henry County School Department
For the Year Ended June 30, 2007

	Special Revenue Funds		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 628,117	\$ 628,117
Other Local Revenues	0	4,756	4,756
State of Tennessee	0	17,182	17,182
Federal Government	1,806,453	828,116	2,634,569
Total Revenues	<u>\$ 1,806,453</u>	<u>\$ 1,478,171</u>	<u>\$ 3,284,624</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,406,891	\$ 0	\$ 1,406,891
Support Services	482,077	0	482,077
Operation of Non-Instructional Services	0	1,447,020	1,447,020
Total Expenditures	<u>\$ 1,888,968</u>	<u>\$ 1,447,020</u>	<u>\$ 3,335,988</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (82,515)</u>	<u>\$ 31,151</u>	<u>\$ (51,364)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (13,131)	\$ 0	\$ (13,131)
Total Other Financing Sources (Uses)	<u>\$ (13,131)</u>	<u>\$ 0</u>	<u>\$ (13,131)</u>
Net Change in Fund Balances	\$ (95,646)	\$ 31,151	\$ (64,495)
Fund Balance, July 1, 2006	102,229	423,028	525,257
Fund Balance, June 30, 2007	<u>\$ 6,583</u>	<u>\$ 454,179</u>	<u>\$ 460,762</u>

Exhibit I-8

Henry County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Henry County School Department
General Purpose School Fund
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 7,227,492	\$ 0	\$ 0	\$ 7,227,492	\$ 7,293,970	\$ 7,293,970	\$ (66,478)
Licenses and Permits	1,884	0	0	1,884	2,200	2,200	(316)
Charges for Current Services	117,279	0	0	117,279	141,073	141,073	(23,794)
Other Local Revenues	220,136	0	0	220,136	220,681	211,958	8,178
State of Tennessee	13,619,227	0	0	13,619,227	13,356,541	13,512,631	106,596
Federal Government	478,309	0	0	478,309	390,578	525,422	(47,113)
Other Governments and Citizens Groups	499,872	0	0	499,872	0	499,872	0
Total Revenues	\$ 22,164,199	\$ 0	\$ 0	\$ 22,164,199	\$ 21,405,043	\$ 22,187,126	\$ (22,927)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 9,506,013	\$ (32,988)	\$ 2,594	\$ 9,475,619	\$ 9,553,304	\$ 9,654,182	\$ 178,563
Alternative Instruction Program	141,466	0	0	141,466	144,672	150,449	8,983
Special Education Program	1,226,885	0	0	1,226,885	1,232,999	1,240,063	13,178
Vocational Education Program	696,741	0	1,369	698,110	722,858	729,692	31,582
Adult Education Program	271,630	(1,861)	769	270,538	264,345	333,573	63,035
<u>Support Services</u>							
Attendance	182,867	0	0	182,867	194,251	190,099	7,232
Health Services	188,791	(100)	0	188,691	186,735	195,068	6,377
Other Student Support	530,231	0	22	530,253	530,620	541,829	11,576
Regular Instruction Program	796,219	(3,389)	381	793,211	790,133	807,969	14,758
Alternative Instruction Program	80,881	0	0	80,881	85,640	82,411	1,530
Special Education Program	105,570	0	0	105,570	105,576	105,849	279
Vocational Education Program	56,065	0	0	56,065	53,058	56,717	652
Board of Education	406,386	0	0	406,386	424,661	424,661	18,275
Director of Schools	265,476	(553)	46	264,969	277,090	274,926	9,957

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	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	\$ 1,165,144	\$ 0	\$ 1,639	\$ 1,166,783	\$ 1,199,103	\$ 1,203,087	\$ 36,304
Fiscal Services	98,731	0	0	98,731	94,745	99,835	1,104
Operation of Plant	1,349,441	0	0	1,349,441	1,386,820	1,396,820	47,379
Maintenance of Plant	476,645	(519)	5,250	481,376	523,485	516,760	35,384
Transportation	1,345,659	0	139	1,345,798	1,391,333	1,400,162	54,364
<u>Operation of Non-Instructional Services</u>							
Food Service	74	0	0	74	0	0	(74)
Community Services	387,273	(7,493)	2,109	381,889	393,709	441,041	59,152
Early Childhood Education	240,931	(27,196)	800	214,535	227,946	228,824	14,289
<u>Capital Outlay</u>							
Regular Capital Outlay	543,345	(44,961)	616,512	1,114,896	654,345	1,235,260	120,364
<u>Other Debt Service</u>							
Education	1,462,701	0	0	1,462,701	0	1,462,701	0
Total Expenditures	\$ 21,525,165	\$ (119,060)	\$ 631,630	\$ 22,037,735	\$ 20,437,428	\$ 22,771,978	\$ 734,243
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 639,034	\$ 119,060	\$ (631,630)	\$ 126,464	\$ 967,615	\$ (584,852)	\$ 711,316
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 120,239	\$ 0	\$ 0	\$ 120,239	\$ 0	\$ 47,066	\$ 73,173
Transfers In	13,131	0	0	13,131	14,000	14,000	(869)
Total Other Financing Sources (Uses)	\$ 133,370	\$ 0	\$ 0	\$ 133,370	\$ 14,000	\$ 61,066	\$ 72,304
Net Change in Fund Balance	\$ 772,404	\$ 119,060	\$ (631,630)	\$ 259,834	\$ 981,615	\$ (523,786)	\$ 783,620
Fund Balance, July 1, 2006	2,337,543	(119,060)	0	2,218,483	1,385,518	1,385,518	832,965
Fund Balance, June 30, 2007	\$ 3,109,947	\$ 0	\$ (631,630)	\$ 2,478,317	\$ 2,367,133	\$ 861,732	\$ 1,616,585

Exhibit I-9

Henry County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Henry County School Department
School Federal Projects Fund
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 1,806,453	\$ 0	\$ 0	\$ 1,806,453	\$ 1,273,171	\$ 2,081,226	\$ (274,773)
Total Revenues	\$ 1,806,453	\$ 0	\$ 0	\$ 1,806,453	\$ 1,273,171	\$ 2,081,226	\$ (274,773)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 799,431	\$ (4,390)	\$ 0	\$ 795,041	\$ 183,384	\$ 906,063	\$ 111,022
Special Education Program	512,118	(1,162)	11	510,967	599,146	592,073	81,106
Vocational Education Program	95,342	(24,237)	1,552	72,657	79,520	84,020	11,363
<u>Support Services</u>							
Other Student Support	50,252	(446)	0	49,806	48,445	64,034	14,228
Regular Instruction Program	161,340	0	0	161,340	134,622	194,456	33,116
Special Education Program	152,076	0	0	152,076	219,688	162,281	10,205
Vocational Education Program	8,111	0	0	8,111	15,000	15,000	6,889
Office of the Principal	0	0	0	0	879	0	0
Transportation	110,298	0	0	110,298	53,291	118,467	8,169
Total Expenditures	\$ 1,888,968	\$ (30,235)	\$ 1,563	\$ 1,860,296	\$ 1,333,975	\$ 2,136,394	\$ 276,098
Excess (Deficiency) of Revenues Over Expenditures	\$ (82,515)	\$ 30,235	\$ (1,563)	\$ (53,843)	\$ (60,804)	\$ (55,168)	\$ 1,325
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (13,131)	\$ 0	\$ 0	\$ (13,131)	\$ (9,499)	\$ (15,132)	\$ 2,001
Total Other Financing Sources (Uses)	\$ (13,131)	\$ 0	\$ 0	\$ (13,131)	\$ (9,499)	\$ (15,132)	\$ 2,001
Net Change in Fund Balance	\$ (95,646)	\$ 30,235	\$ (1,563)	\$ (66,974)	\$ (70,303)	\$ (70,300)	\$ 3,326
Fund Balance, July 1, 2006	102,229	(30,235)	0	71,994	70,303	70,303	1,691
Fund Balance, June 30, 2007	\$ 6,583	\$ 0	\$ (1,563)	\$ 5,020	\$ 0	\$ 3	\$ 5,017

Exhibit I-10

Henry County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Henry County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 628,117	\$ 599,232	\$ 599,232	\$ 28,885
Other Local Revenues	4,756	3,439	3,439	1,317
State of Tennessee	17,182	18,327	18,327	(1,145)
Federal Government	828,116	810,000	810,000	18,116
Total Revenues	<u>\$ 1,478,171</u>	<u>\$ 1,430,998</u>	<u>\$ 1,430,998</u>	<u>\$ 47,173</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,447,020	\$ 1,520,016	\$ 1,520,016	\$ 72,996
Total Expenditures	<u>\$ 1,447,020</u>	<u>\$ 1,520,016</u>	<u>\$ 1,520,016</u>	<u>\$ 72,996</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 31,151</u>	<u>\$ (89,018)</u>	<u>\$ (89,018)</u>	<u>\$ 120,169</u>
Net Change in Fund Balance	\$ 31,151	\$ (89,018)	\$ (89,018)	\$ 120,169
Fund Balance, July 1, 2006	<u>423,028</u>	<u>422,683</u>	<u>422,683</u>	<u>345</u>
Fund Balance, June 30, 2007	<u>\$ 454,179</u>	<u>\$ 333,665</u>	<u>\$ 333,665</u>	<u>\$ 120,514</u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

Henry County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, and Bonds
For the Year Ended June 30, 2007

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-07
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Jail Renovation Projects	\$ 190,000	5.125 %	10-14-1999	10-14-09	\$ 76,000	\$ 0	\$ 19,000	\$ 57,000
General Improvement Projects	240,362	3.95	9-28-06	6-28-07	0	240,362	240,362	0
School Energy Efficiency Improvement	499,872	0	2-2-07	2-15-14	0	499,872	0	499,872
<u>Payable through Highway/Public Works Fund</u>								
Highway Shop	150,000	3.9	5-31-06	5-18-09	150,000	0	50,000	100,000
Total Notes Payable					<u>\$ 226,000</u>	<u>\$ 740,234</u>	<u>\$ 309,362</u>	<u>\$ 656,872</u>
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Grove School/Campus Renovation	3,000,000	Variable	5-17-1996	5-25-15	\$ 1,796,800	\$ 0	\$ 159,600	\$ 1,637,200
Jail Renovation Projects	4,944,998	Variable	5-25-1999	5-25-14	2,667,998	0	427,000	2,240,998
Total Other Loans Payable					<u>\$ 4,464,798</u>	<u>\$ 0</u>	<u>\$ 586,600</u>	<u>\$ 3,878,198</u>
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
School, Refunding Series 1998	3,162,500	4 to 4.45	8-15-1998	5-1-09	\$ 2,375,000	\$ 0	\$ 631,250	\$ 1,743,750
School, Series 2001B (CAB) (1)	3,693,361	4.6 to 5.2	3-1-01	5-1-21	3,693,361	0	0	3,693,361
School, Refunding Series 2002	1,865,625	3	9-15-02	5-1-07	190,625	0	190,625	0
School, Rural Series 2003	6,600,000	4.25 to 4.6	1-1-03	5-1-25	6,600,000	0	0	6,600,000
School, Refunding Series 2005	5,790,000	3 to 3.85	5-27-05	5-1-18	5,745,000	0	30,000	5,715,000
Total Bonds Payable					<u>\$ 18,603,986</u>	<u>\$ 0</u>	<u>\$ 851,875</u>	<u>\$ 17,752,111</u>

(1) These (CAB) bonds accrete interest that is paid at bond maturity. As of June 30, 2007, interest of \$1,331,351 has accreted on the bonds.

Exhibit J-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2008	\$ 903,750	\$ 576,748	\$ 1,480,498
2009	930,740	546,733	1,477,473
2010	822,174	655,311	1,477,485
2011	823,931	651,817	1,475,748
2012	827,438	650,922	1,478,360
2013	835,447	643,663	1,479,110
2014	840,341	638,644	1,478,985
2015	848,170	634,990	1,483,160
2016	1,118,040	622,980	1,741,020
2017	1,145,910	601,810	1,747,720
2018	921,633	820,487	1,742,120
2019	587,109	1,178,596	1,765,705
2020	552,815	1,212,890	1,765,705
2021	1,239,613	516,091	1,755,704
2022	1,515,000	241,645	1,756,645
2023	1,585,000	174,228	1,759,228
2024	1,655,000	102,903	1,757,903
2025	600,000	27,600	627,600
Total	<u>\$ 17,752,111</u>	<u>\$ 10,498,058</u>	<u>\$ 28,250,169</u>

Exhibit J-3

Henry County, Tennessee

Schedule of Transfers

Primary Government and Discretely Presented Henry County School Department

For the Year Ended June 30, 2007

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>Primary Government</u> General	Highway/Public Works	To transfer net wheel tax revenue	<u>\$ 429,954</u>
<u>Discretely Presented Henry County</u> <u>School Department</u> School Federal Projects	General Purpose School	Indirect costs	<u>\$ 13,131</u>

Exhibit J-4

Henry County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Henry County School Department
For the Year Ended June 30, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 64,759	\$ 50,000	RLI Insurance Company
Road Supervisor	Section 8-24-102, <u>TCA</u>	61,676	100,000	"
Director of Schools	State Board of Education and County Board of Education	109,965 (1)	50,000	Western Surety Company
Trustee:				
Judy McClanahan (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	9,345	698,500	RLI Insurance Company
David Stone (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	46,724	1,000,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	56,069	10,000	"
Director of Accounts and Budgets	County Commission	44,742 (2)	50,000	Zurich North America
County Clerk	Section 8-24-102, <u>TCA</u>	56,069	50,000	RLI Insurance Company
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	56,069	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	60,169 (3)	60,000	"
Clerk and Master - Guardian	-	-	90,000	Fidelity and Deposit Company of Maryland
Register	Section 8-24-102, <u>TCA</u>	56,069	25,000	RLI Insurance Company
Sheriff:				
David Bumpus (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	10,279	25,000	"
Monte Belew (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	51,397	25,000	CAN Surety Company
Employee Blanket Bonds:				
County Mayor's and County Road Supervisor's Offices			150,000	Tennessee Risk Management Trust
Office of Director of Schools			150,000	"

(1) Includes chief executive officer training supplement of \$1,000, insurance premiums of \$2,000, disability insurance premium of \$500, automobile allowance of \$5,400, and \$257 one time state bonus.

(2) Includes \$2,400 for serving as secretary of the Budget Committee and \$50 longevity.

(3) Includes special commissioner/special master fees of \$4,100.

need copy of contract in P.File
see Obion County for footnote on school director JK

Exhibit J-5

Henry County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2007

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 2,366,361	\$ 257,801	\$ 0	\$ 0	\$ 1,203,119	\$ 128,903	\$ 0	\$ 3,956,184
Trustee's Collections - Prior Year	82,401	8,051	0	0	38,986	3,932	0	133,370
Trustee's Collections - Bankruptcy	731	75	0	0	358	33	0	1,197
Circuit/Clerk & Master Collections - Prior Years	15,241	1,489	0	0	7,199	743	0	24,672
Interest and Penalty	23,590	2,366	0	0	11,356	1,155	0	38,467
Pick-up Taxes	0	298	0	0	1,420	144	0	1,862
Payments in-Lieu-of Taxes - Local Utilities	36,826	4,017	0	0	18,748	2,009	0	61,600
<u>County Local Option Taxes</u>								
Local Option Sales Tax	611,182	0	0	0	0	0	0	611,182
Hotel/Motel Tax	228,100	0	0	0	0	0	0	228,100
Wheel Tax	429,954	0	0	0	0	528,513	0	958,467
Litigation Tax - General	142,264	0	0	0	0	0	0	142,264
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	44,760	0	44,760
Business Tax	72,512	7,782	0	0	36,506	4,056	0	120,856
<u>Statutory Local Taxes</u>								
Bank Excise Tax	42,303	4,615	0	0	21,536	2,308	0	70,762
Wholesale Beer Tax	379,101	0	0	0	0	0	0	379,101
Interstate Telecommunications Tax	3,308	0	0	0	0	0	0	3,308
Total Local Taxes	\$ 4,433,874	\$ 286,494	\$ 0	\$ 0	\$ 1,339,228	\$ 716,556	\$ 0	\$ 6,776,152
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Animal Registration	\$ 11,008	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,008
Cable TV Franchise	89,093	0	0	0	0	0	0	89,093
Total Licenses and Permits	\$ 100,101	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 100,101
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 931	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 931
Officers Costs	9,283	0	0	0	0	0	0	9,283
Drug Control Fines	5,013	0	6,010	0	0	0	0	11,023
DUI Treatment Fines	190	0	0	0	0	0	0	190

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>								
<u>Circuit Court (Cont.)</u>								
Data Entry Fee - Circuit Court	\$ 794	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	794
<u>General Sessions Court</u>								
Fines	42,132	0	0	0	0	0	0	42,132
Officers Costs	88,758	0	0	0	0	0	0	88,758
Game and Fish Fines	2,273	0	0	0	0	0	0	2,273
Drug Control Fines	43,150	0	6,338	0	0	0	0	49,488
Drug Court Fees	13,480	0	0	0	0	0	0	13,480
Jail Fees	12,138	0	0	0	0	0	0	12,138
DUI Treatment Fines	9,320	0	0	0	0	0	0	9,320
Data Entry Fee - General Sessions Court	8,480	0	0	0	0	0	0	8,480
Courtroom Security Fee	3,892	0	0	0	0	0	0	3,892
<u>Juvenile Court</u>								
Fines	1,498	0	0	0	0	0	0	1,498
<u>Chancery Court</u>								
Officers Costs	2,717	0	0	0	0	0	0	2,717
Data Entry Fee - Chancery Court	1,440	0	0	0	0	0	0	1,440
Courtroom Security Fee	290	0	0	0	0	0	0	290
<u>Other Fines, Forfeitures, and Penalties</u>								
Proceeds from Confiscated Property	0	0	7,100	0	0	0	0	7,100
Other Fines, Forfeitures, and Penalties	0	0	9,610	0	0	0	0	9,610
Total Fines, Forfeitures, and Penalties	\$ 245,779	\$ 0	\$ 29,058	\$ 0	\$ 0	\$ 0	\$ 0	274,837
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Sale of Electricity	\$ 20,916	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	20,916
Work Release Charges for Board	4,628	0	0	0	0	0	0	4,628
<u>Fees</u>								
Airport Fees	24,332	0	0	0	0	0	0	24,332
Copy Fees	2,593	0	0	0	0	0	0	2,593
Telephone Commissions	8,173	0	0	0	0	0	0	8,173
Vending Machine Collections	438	0	0	0	0	0	0	438
Constitutional Officers' Fees and Commissions	0	0	0	7,577	0	0	0	7,577

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Charges for Current Services (Cont.)</u>								
<u>Fees (Cont.)</u>								
Data Processing Fee - Register	\$ 14,864	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	14,864
Data Processing Fee - Sheriff	5,884	0	0	0	0	0	0	5,884
<u>Education Charges</u>								
Tuition - Other	7,800	0	0	0	0	0	0	7,800
Total Charges for Current Services	\$ 89,628	\$ 0	\$ 0	\$ 7,577	\$ 0	\$ 0	\$ 0	97,205
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	354,909	\$ 0	354,909
Lease/Rentals	9,391	0	0	0	1,500	0	0	10,891
Sale of Materials and Supplies	0	0	0	0	7,134	0	0	7,134
Commissary Sales	54,029	0	0	0	0	0	0	54,029
Sale of Gasoline	204,692	0	0	0	28,161	0	0	232,853
Sale of Recycled Materials	0	166,890	0	0	718	0	0	167,608
Miscellaneous Refunds	2,277	0	7,050	0	457	0	0	9,784
Expenditure Credits	15	0	0	0	0	0	0	15
<u>Nonrecurring Items</u>								
Sale of Equipment	481	608	0	0	0	0	0	1,089
Sale of Property	8,090	0	0	0	0	0	0	8,090
Damages Recovered from Individuals	662	0	0	0	0	0	0	662
<u>Other Local Revenues</u>								
Other Local Revenues	91,260	0	0	0	0	0	0	91,260
Total Other Local Revenues	\$ 370,897	\$ 167,498	\$ 7,050	\$ 0	\$ 37,970	\$ 354,909	\$ 0	938,324
<u>Fees Received from County Officials</u>								
<u>Fees-In-Lieu of Salary</u>								
County Clerk	\$ 541,827	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	541,827
Circuit Court Clerk	74,659	0	0	0	0	0	0	74,659
General Sessions Court Clerk	273,567	0	0	0	0	0	0	273,567
Clerk and Master	80,036	0	0	0	0	0	0	80,036
Register	182,857	0	0	0	0	0	0	182,857
Sheriff	10,879	0	0	0	0	0	0	10,879

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Fees Received from County Officials (Cont.)</u>								
<u>Fees-In-Lieu of Salary (Cont.)</u>								
Trustee	\$ 409,997	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 409,997
Total Fees Received from County Officials	\$ 1,573,822	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,573,822
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 64,802	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 64,802
Airport Maintenance Program	28,296	0	0	0	0	0	72,807	101,103
Aging Programs	35,502	0	0	0	0	0	0	35,502
State Reappraisal Grant	15,595	0	0	0	0	0	0	15,595
Solid Waste Grants	0	28,589	0	0	0	0	0	28,589
Other General Government Grants	224,800	0	0	0	0	0	0	224,800
<u>Public Safety Grants</u>								
Law Enforcement Training Programs	28,649	0	0	0	0	0	0	28,649
Other Public Safety Grants	4,990	0	0	0	0	0	0	4,990
<u>Health and Welfare Grants</u>								
Health Department Programs	29,655	0	0	0	0	0	0	29,655
<u>Public Works Grants</u>								
Bridge Program	0	0	0	0	63,448	0	0	63,448
Litter Program	0	0	0	0	45,499	0	0	45,499
Tennessee Industrial Infrastructure Program	100,341	0	0	0	0	0	0	100,341
<u>Other State Revenues</u>								
Resort District Sales Tax	934,308	0	0	0	0	0	0	934,308
Beer Tax	18,753	0	0	0	0	0	0	18,753
Alcoholic Beverage Tax	50,329	0	0	0	0	0	0	50,329
Mixed Drink Tax	6,371	0	0	0	0	0	0	6,371
Prisoner Transportation	1,186	0	0	0	0	0	0	1,186
Contracted Prisoner Boarding	706,565	0	0	0	0	0	0	706,565
Gasoline and Motor Fuel Tax	0	0	0	0	1,878,902	0	0	1,878,902
Petroleum Special Tax	0	0	0	0	25,030	0	0	25,030
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	16,380
Other State Grants	47,000	0	0	0	0	0	0	47,000
Other State Revenues	223	0	0	0	0	0	0	223
Total State of Tennessee	\$ 2,313,745	\$ 28,589	\$ 0	\$ 0	\$ 2,012,879	\$ 0	\$ 72,807	\$ 4,428,020

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Federal Government</u>								
<u>Federal Through State</u>								
Disaster Relief	\$ 0	\$ 0	\$ 0	\$ 0	7,478	\$ 0	\$ 0	7,478
Homeland Security Grants	64,000	0	0	0	0	0	0	64,000
Law Enforcement Grants	9,585	0	0	0	0	0	0	9,585
<u>Direct Federal Revenue</u>								
Other Direct Federal Revenue	168,725	0	0	0	0	0	0	168,725
Total Federal Government	\$ 242,310	\$ 0	\$ 0	\$ 0	7,478	\$ 0	\$ 0	249,788
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Contributions	\$ 83,863	\$ 0	\$ 0	\$ 0	5,000	\$ 1,462,701	\$ 0	1,551,564
Contracted Services	0	0	10,537	0	0	0	0	10,537
Total Other Governments and Citizens Groups	\$ 83,863	\$ 0	\$ 10,537	\$ 0	5,000	\$ 1,462,701	\$ 0	1,562,101
Total	\$ 9,454,019	\$ 482,581	\$ 46,645	\$ 7,577	\$ 3,402,555	\$ 2,534,166	\$ 72,807	\$ 16,000,350

Exhibit J-6

Henry County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 Discretely Presented Henry County School Department
 For the Year Ended June 30, 2007

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 4,070,622	\$ 0	\$ 0	\$ 4,070,622
Trustee's Collections - Prior Year	130,474	0	0	130,474
Trustee's Collections - Bankruptcy	1,211	0	0	1,211
Circuit/Clerk & Master Collections - Prior Years	24,288	0	0	24,288
Interest and Penalty	38,312	0	0	38,312
Pick-up Taxes	4,765	0	0	4,765
Payments in-Lieu-of Taxes - T.V.A.	3,208	0	0	3,208
Payments in-Lieu-of Taxes - Local Utilities	63,429	0	0	63,429
<u>County Local Option Taxes</u>				
Local Option Sales Tax	2,691,382	0	0	2,691,382
Business Tax	123,402	0	0	123,402
<u>Statutory Local Taxes</u>				
Bank Excise Tax	72,864	0	0	72,864
Interstate Telecommunications Tax	3,535	0	0	3,535
Total Local Taxes	\$ 7,227,492	\$ 0	\$ 0	\$ 7,227,492
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 1,884	\$ 0	\$ 0	\$ 1,884
Total Licenses and Permits	\$ 1,884	\$ 0	\$ 0	\$ 1,884
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Summer School	\$ 1,500	\$ 0	\$ 0	\$ 1,500
Lunch Payments - Children	0	0	306,955	306,955
Lunch Payments - Adults	0	0	42,972	42,972
Income from Breakfast	0	0	28,995	28,995
A la carte Sales	0	0	249,195	249,195
Receipts from Individual Schools	28,944	0	0	28,944
Community Service Fees - Children	64,943	0	0	64,943
Community Service Fees - Adults	2,478	0	0	2,478
<u>Other Charges for Services</u>				
Other Charges for Services	19,414	0	0	19,414
Total Charges for Current Services	\$ 117,279	\$ 0	\$ 628,117	\$ 745,396
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 118,750	\$ 0	\$ 4,753	\$ 123,503
Lease/Rentals	512	0	0	512
Sale of Materials and Supplies	2,756	0	0	2,756
Miscellaneous Refunds	50,569	0	3	50,572
<u>Nonrecurring Items</u>				
Damages Recovered from Individuals	2,272	0	0	2,272
Contributions and Gifts	44,679	0	0	44,679
<u>Other Local Revenues</u>				
Other Local Revenues	598	0	0	598
Total Other Local Revenues	\$ 220,136	\$ 0	\$ 4,756	\$ 224,892

(Continued)

Exhibit J-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 11,381,000	\$ 0	\$ 0	\$ 11,381,000
Early Childhood Education	6,632	0	0	6,632
School Food Service	0	0	17,182	17,182
Driver Education	15,706	0	0	15,706
Other State Education Funds	358,810	0	0	358,810
Career Ladder Program	189,439	0	0	189,439
Career Ladder - Extended Contract	155,792	0	0	155,792
<u>Other State Revenues</u>				
Income Tax	110,534	0	0	110,534
Mixed Drink Tax	4,380	0	0	4,380
State Revenue Sharing - T.V.A.	1,246,503	0	0	1,246,503
Other State Grants	98,523	0	0	98,523
Other State Revenues	51,908	0	0	51,908
Total State of Tennessee	\$ 13,619,227	\$ 0	\$ 17,182	\$ 13,636,409
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 611,439	\$ 611,439
Breakfast	0	0	216,677	216,677
USDA - Other	46,652	0	0	46,652
Adult Education State Grant Program	204,881	0	0	204,881
Vocational Education - Basic Grants to States	0	94,953	0	94,953
Other Vocational	8,000	12,166	0	20,166
Title I Grants to Local Education Agencies	0	704,209	0	704,209
Innovative Education Program Strategies	0	7,403	0	7,403
Special Education - Grants to States	0	713,695	0	713,695
Special Education Preschool Grants	0	54,250	0	54,250
Eisenhower Professional Development State Grants	0	178,658	0	178,658
Other Federal through State	218,776	41,119	0	259,895
Total Federal Government	\$ 478,309	\$ 1,806,453	\$ 828,116	\$ 3,112,878
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 499,872	\$ 0	\$ 0	\$ 499,872
Total Other Governments and Citizens Groups	\$ 499,872	\$ 0	\$ 0	\$ 499,872
Total	\$ 22,164,199	\$ 1,806,453	\$ 1,478,171	\$ 25,448,823

Exhibit J-7

Henry County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2007

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	26,850	
Dues and Memberships		1,850	
Travel		7,401	
Total County Commission			\$ 36,101

Board of Equalization

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

Other Boards and Committees

Board and Committee Members Fees	\$	5,275	
Total Other Boards and Committees			5,275

County Mayor/Executive

County Official/Administrative Officer	\$	64,759	
Secretary(ies)		29,071	
Custodial Personnel		23,017	
Maintenance Personnel		39,732	
Part-time Personnel		17,616	
Data Processing Services		344	
Dues and Memberships		1,650	
Operating Lease Payments		3,187	
Maintenance and Repair Services - Office Equipment		363	
Postal Charges		1,215	
Travel		5,000	
Office Supplies		1,795	
In Service/Staff Development		906	
Total County Mayor/Executive			188,655

County Attorney

Other Per Diem and Fees	\$	18,667	
Total County Attorney			18,667

Election Commission

County Official/Administrative Officer	\$	50,462	
Deputy(ies)		25,803	
Election Commission		3,700	
Election Workers		17,373	
Data Processing Services		516	
Dues and Memberships		175	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Maintenance Agreements	\$	2,277	
Postal Charges		2,532	
Printing, Stationery, and Forms		8,244	
Rentals		250	
Travel		2,256	
Office Supplies		1,465	
Data Processing Equipment		224,799	
Total Election Commission			\$ 339,852

Register of Deeds

County Official/Administrative Officer	\$	56,069	
Deputy(ies)		79,126	
Dues and Memberships		550	
Maintenance Agreements		6,288	
Maintenance and Repair Services - Office Equipment		1,406	
Postal Charges		1,700	
Printing, Stationery, and Forms		1,357	
Travel		809	
Data Processing Supplies		26,952	
Duplicating Supplies		2,163	
Office Supplies		1,094	
Total Register of Deeds			177,514

Building

Maintenance Personnel	\$	21,030	
Part-time Personnel		5,217	
Communication		250	
Maintenance and Repair Services - Buildings		8,340	
Custodial Supplies		4,452	
Utilities		34,119	
Other Charges		519	
Total Building			73,927

County Buildings

Communication	\$	73,233	
Natural Gas		37,386	
Utilities		54,235	
Total County Buildings			164,854

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Other General Administration

Maintenance and Repair Services - Buildings	\$	25,671	
Maintenance and Repair Services - Equipment		491	
Rentals		350	
Custodial Supplies		4,536	
Other Supplies and Materials		1,018	
Building and Contents Insurance		82,184	
Other Charges		500	
Total Other General Administration			\$ 114,750

Preservation of Records

Part-time Personnel	\$	709	
Other Supplies and Materials		750	
Other Charges		749	
Total Preservation of Records			2,208

Finance

Accounting and Budgeting

Supervisor/Director	\$	42,292	
Deputy(ies)		28,206	
Data Processing Services		6,814	
Operating Lease Payments		1,800	
Maintenance and Repair Services - Office Equipment		137	
Postal Charges		2,437	
Travel		836	
Data Processing Supplies		2,104	
Office Supplies		1,169	
In Service/Staff Development		939	
Data Processing Equipment		456	
Total Accounting and Budgeting			87,190

Property Assessor's Office

County Official/Administrative Officer	\$	56,069	
Deputy(ies)		118,070	
Data Processing Services		6,272	
Dues and Memberships		1,295	
Operating Lease Payments		2,811	
Postal Charges		655	
Travel		950	
Data Processing Supplies		173	
Office Supplies		1,445	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Other Supplies and Materials	\$ 365	
Total Property Assessor's Office		\$ 188,105

Reappraisal Program

Deputy(ies)	\$ 25,447	
Contracts with Private Agencies	37,835	
Data Processing Services	4,804	
Operating Lease Payments	1,360	
Maintenance and Repair Services - Vehicles	725	
Postal Charges	1,003	
Gasoline	1,968	
Other Charges	962	
Total Reappraisal Program		74,104

County Trustee's Office

County Official/Administrative Officer	\$ 56,069	
Deputy(ies)	62,868	
Part-time Personnel	6,993	
Data Processing Services	22,009	
Dues and Memberships	550	
Legal Notices, Recording, and Court Costs	297	
Maintenance and Repair Services - Office Equipment	1,358	
Postal Charges	8,491	
Printing, Stationery, and Forms	3,110	
Travel	836	
Office Supplies	1,950	
Data Processing Equipment	1,779	
Total County Trustee's Office		166,310

County Clerk's Office

County Official/Administrative Officer	\$ 56,069
Deputy(ies)	118,653
Part-time Personnel	3,365
Data Processing Services	15,031
Dues and Memberships	575
Operating Lease Payments	3,778
Postal Charges	6,299
Travel	1,650
Duplicating Supplies	128
Office Supplies	2,402

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Uniforms	\$	250	
In Service/Staff Development		300	
Office Equipment		599	
Total County Clerk's Office			\$ 209,099

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	56,069	
Deputy(ies)		77,213	
Part-time Personnel		15,574	
Jury and Witness Fees		9,864	
Data Processing Services		11,379	
Dues and Memberships		425	
Maintenance and Repair Services - Office Equipment		2,295	
Postal Charges		5,980	
Office Supplies		15,997	
Total Circuit Court			194,796

General Sessions Court

Deputy(ies)	\$	73,274	
Total General Sessions Court			73,274

General Sessions Judge

Judge(s)	\$	124,725	
Secretary(ies)		26,206	
Dues and Memberships		377	
Travel		1,189	
Other Contracted Services		867	
Periodicals		1,510	
Other Charges		600	
Office Equipment		1,510	
Total General Sessions Judge			156,984

Drug Court

Remittance of Revenue Collected	\$	13,480	
Total Drug Court			13,480

Chancery Court

County Official/Administrative Officer	\$	56,069	
Deputy(ies)		76,026	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Part-time Personnel	\$	4,170	
Data Processing Services		4,713	
Dues and Memberships		595	
Legal Notices, Recording, and Court Costs		1,845	
Postal Charges		4,000	
Travel		89	
Data Processing Supplies		490	
Office Supplies		6,948	
Office Equipment		2,253	
Total Chancery Court			\$ 157,198

Juvenile Court

Deputy(ies)	\$	28,206	
Probation Officer(s)		59,010	
Youth Service Officer(s)		37,888	
Part-time Personnel		6,895	
Contracts with Other Public Agencies		13,050	
Data Processing Services		1,200	
Dues and Memberships		300	
Postal Charges		600	
Travel		1,942	
Data Processing Supplies		750	
Office Supplies		1,890	
Other Charges		452	
Total Juvenile Court			152,183

Other Administration of Justice

Legal Services	\$	25,510	
Total Other Administration of Justice			25,510

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	61,676	
Assistant(s)		43,665	
Supervisor/Director		38,516	
Deputy(ies)		516,318	
Investigator(s)		180,099	
Lieutenant(s)		39,422	
Sergeant(s)		194,970	
Salary Supplements		16,200	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Dispatchers/Radio Operators	\$	93,554	
Clerical Personnel		56,039	
Attendants		26,930	
Maintenance Personnel		7,206	
Temporary Personnel		13,764	
Overtime Pay		12,376	
Other Salaries and Wages		33,607	
Communication		848	
Data Processing Services		25,581	
Dues and Memberships		1,680	
Operating Lease Payments		2,189	
Maintenance and Repair Services - Buildings		3,708	
Maintenance and Repair Services - Equipment		10,671	
Maintenance and Repair Services - Office Equipment		434	
Maintenance and Repair Services - Vehicles		26,016	
Postal Charges		2,928	
Tow-in Services		405	
Travel		7,449	
Custodial Supplies		3,985	
Gasoline		92,846	
Law Enforcement Supplies		13,456	
Office Supplies		15,988	
Tires and Tubes		5,403	
Uniforms		16,109	
Utilities		74,597	
Other Supplies and Materials		4,040	
In Service/Staff Development		4,139	
Other Charges		4,399	
Data Processing Equipment		8,135	
Law Enforcement Equipment		5,914	
Office Equipment		4,785	
Other Equipment		4,990	
Total Sheriff's Department			\$ 1,675,037

Special Patrols

Nightwatchmen	\$	74,029	
Total Special Patrols			74,029

Jail

Deputy(ies)	\$	14,243	
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(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Captain(s)	\$	34,440	
Lieutenant(s)		38,158	
Sergeant(s)		16,393	
Guards		527,041	
Cafeteria Personnel		25,757	
Maintenance Personnel		28,826	
Temporary Personnel		2,742	
Part-time Personnel		6,000	
Overtime Pay		17,449	
Other Salaries and Wages		19,923	
Data Processing Services		5,463	
Operating Lease Payments		1,065	
Maintenance and Repair Services - Buildings		11,931	
Maintenance and Repair Services - Equipment		3,289	
Maintenance and Repair Services - Vehicles		568	
Medical and Dental Services		31,815	
Transportation - Other than Students		12,875	
Travel		2,741	
Custodial Supplies		19,056	
Drugs and Medical Supplies		22,540	
Food Preparation Supplies		3,600	
Food Supplies		139,641	
Prisoners Clothing		5,377	
Uniforms		8,640	
Other Supplies and Materials		3,777	
In Service/Staff Development		315	
Other Charges		19,762	
Data Processing Equipment		4,091	
Food Service Equipment		3,945	
Total Jail			\$ 1,031,463

Juvenile Services

Probation Officer(s)	\$	30,031
Salary Supplements		2,000
Part-time Personnel		2,190
Social Security		1,920
State Retirement		2,220
Unemployment Compensation		210
Employer Medicare		450
Communication		4,420

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Juvenile Services (Cont.)

Data Processing Services	\$	78	
Maintenance and Repair Services - Vehicles		448	
Postal Charges		300	
Travel		739	
Other Contracted Services		750	
Data Processing Supplies		312	
Gasoline		1,075	
Office Supplies		1,073	
Other Charges		8,887	
Total Juvenile Services			\$ 57,103

Fire Prevention and Control

Contributions	\$	29,250	
Total Fire Prevention and Control			29,250

Rescue Squad

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

Other Emergency Management

Supervisor/Director	\$	16,442	
Communication		2,914	
Maintenance and Repair Services - Equipment		474	
Maintenance and Repair Services - Vehicles		1,016	
Travel		1,495	
Utilities		1,200	
Other Supplies and Materials		2,087	
Other Charges		107,482	
Building Improvements		963	
Total Other Emergency Management			134,073

County Coroner/Medical Examiner

Other Per Diem and Fees	\$	13,842	
Other Contracted Services		30,732	
Total County Coroner/Medical Examiner			44,574

Public Safety Grant Programs

Administration Equipment	\$	26,355	
Total Public Safety Grant Programs			26,355

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Other Public Safety

Highway Construction	\$ 28,416	
Total Other Public Safety		\$ 28,416

Public Health and Welfare

Local Health Center

Medical Personnel	\$ 16,698	
Part-time Personnel	5,496	
Other Salaries and Wages	11,929	
Social Security	2,162	
Medical Insurance	2,750	
Unemployment Compensation	356	
Employer Medicare	506	
Communication	729	
Contracts with Government Agencies	23,000	
Dues and Memberships	180	
Maintenance and Repair Services - Buildings	5,999	
Maintenance and Repair Services - Office Equipment	994	
Postal Charges	2,922	
Travel	1,397	
Custodial Supplies	4,436	
Drugs and Medical Supplies	3,292	
Office Supplies	2,936	
Other Charges	543	
Total Local Health Center		86,325

Rabies and Animal Control

Contracts with Other Public Agencies	\$ 5,499	
Total Rabies and Animal Control		5,499

Maternal and Child Health Services

Contributions	\$ 1,350	
Total Maternal and Child Health Services		1,350

Alcohol and Drug Programs

Contributions	\$ 3,000	
Drug Treatment	125	
Total Alcohol and Drug Programs		3,125

Crippled Children Services

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

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Local Health Services

Contributions	\$	15,650	
Other Supplies and Materials		1,200	
Total Other Local Health Services			\$ 16,850

Sanitation Management

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

Social, Cultural, and Recreational Services

Adult Activities

Supervisor/Director	\$	23,813	
Social Workers		16,284	
Bus Drivers		8,798	
Part-time Personnel		18,066	
Other Salaries and Wages		9,611	
Social Security		4,702	
Handling Charges and Administrative Costs		585	
State Retirement		3,078	
Unemployment Compensation		1,310	
Employer Medicare		1,112	
Communication		566	
Maintenance and Repair Services - Vehicles		1,200	
Postal Charges		1,500	
Printing, Stationery, and Forms		886	
Travel		4,840	
Other Contracted Services		3,874	
Gasoline		1,810	
Office Supplies		986	
Other Charges		988	
Total Adult Activities			104,009

Libraries

Contributions	\$	108,000	
Total Libraries			108,000

Parks and Fair Boards

Contributions	\$	21,000	
Total Parks and Fair Boards			21,000

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Other Social, Cultural, and Recreational

Contributions	\$	29,134	
Other Charges		1,176	
Total Other Social, Cultural, and Recreational			\$ 30,310

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	67,222	
Secretary(ies)		6,030	
Part-time Personnel		8,219	
Social Security		2,273	
State Retirement		7,703	
Employer Medicare		631	
Communication		2,790	
Operating Lease Payments		2,642	
Postal Charges		226	
Rentals		10,000	
Travel		2,400	
Custodial Supplies		4,583	
Office Supplies		306	
Utilities		8,402	
Other Charges		505	
Data Processing Equipment		1,650	
Total Agriculture Extension Service			125,582

Soil Conservation

Secretary(ies)	\$	25,447	
Social Security		1,512	
State Retirement		1,924	
Unemployment Compensation		191	
Employer Medicare		369	
Total Soil Conservation			29,443

Flood Control

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

Other Operations

Tourism

Advertising	\$	6,000	
Contributions		11,050	
Total Tourism			17,050

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Tourism-Resort District

Contributions	\$ 172,456	
Total Tourism-Resort District		\$ 172,456

Industrial Development

Contributions	\$ 50,000	
Other Charges	169,253	
Total Industrial Development		219,253

Airport

Supervisor/Director	\$ 33,937	
Part-time Personnel	17,576	
Other Salaries and Wages	13,638	
Social Security	4,011	
State Retirement	2,929	
Employer Medicare	938	
Communication	3,318	
Maintenance and Repair Services - Buildings	7,402	
Maintenance and Repair Services - Equipment	21,942	
Maintenance and Repair Services - Vehicles	438	
Travel	693	
Remittance of Revenue Collected	8,809	
Other Contracted Services	2,135	
Diesel Fuel	974	
Gasoline	136,105	
Office Supplies	424	
Utilities	14,524	
Liability Insurance	4,500	
Other Charges	5,460	
Other Equipment	2,179	
Total Airport		281,932

Veterans' Services

County Official/Administrative Officer	\$ 23,849	
Maintenance and Repair Services - Office Equipment	40	
Postal Charges	139	
Transportation - Other than Students	3,883	
Travel	910	
Office Supplies	334	
Total Veterans' Services		29,155

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Other Charges

Advertising	\$	980	
Audit Services		7,137	
Dues and Memberships		11,243	
Pest Control		6,364	
Other Supplies and Materials		3,890	
Premiums on Corporate Surety Bonds		4,753	
Trustee's Commission		77,795	
Total Other Charges			\$ 112,162

Contributions to Other Agencies

Contributions	\$	17,050	
Matching Share		50,204	
Remittance of Revenue Collected		173,893	
Total Contributions to Other Agencies			241,147

Employee Benefits

Longevity Pay	\$	13,300	
Social Security		236,303	
State Retirement		261,978	
Medical Insurance		525,345	
Unemployment Compensation		28,580	
Employer Medicare		55,258	
Workers' Compensation Insurance		77,519	
Total Employee Benefits			1,198,283

Miscellaneous

Other Contracted Services	\$	9,750	
Fines, Assessments, and Penalties		50,875	
Land		353	
Total Miscellaneous			60,978

Total General Fund \$ 8,631,537

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$	33,924	
Longevity Pay		200	
Social Security		2,103	
State Retirement		2,404	

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Management (Cont.)

Medical Insurance	\$	4,427	
Unemployment Compensation		210	
Employer Medicare		492	
Advertising		109	
Dues and Memberships		205	
Postal Charges		41	
Travel		1,997	
Office Supplies		150	
Data Processing Equipment		130	
Total Sanitation Management			\$ 46,392

Recycling Center

Foremen	\$	27,165
Truck Drivers		187,864
Part-time Personnel		3,255
Longevity Pay		100
Overtime Pay		2,979
Social Security		13,737
State Retirement		14,620
Medical Insurance		46,357
Unemployment Compensation		2,784
Employer Medicare		3,213
Communication		3,627
Freight Expenses		13,173
Operating Lease Payments		623
Maintenance and Repair Services - Buildings		4,421
Maintenance and Repair Services - Equipment		26,778
Maintenance and Repair Services - Office Equipment		50
Maintenance and Repair Services - Vehicles		10,679
Pest Control		200
Tow-in Services		100
Custodial Supplies		976
Drugs and Medical Supplies		929
Food Supplies		3,393
Gasoline		28,421
Natural Gas		902
Office Supplies		150
Road Signs		216
Small Tools		764
Tires and Tubes		2,668

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Recycling Center (Cont.)

Utilities	\$	7,246	
Wire		4,000	
Other Supplies and Materials		4,066	
Other Charges		3,670	
Office Equipment		278	
Transportation Equipment		29,400	
Total Recycling Center			\$ 448,804

Landfill Operation and Maintenance

Contracts with Government Agencies	\$	25,011	
Total Landfill Operation and Maintenance			25,011

Other Waste Disposal

Disposal Fees	\$	31,358	
Total Other Waste Disposal			31,358

Other Operations

Other Charges

Trustee's Commission	\$	5,551	
Total Other Charges			5,551

Total Solid Waste/Sanitation Fund \$ 557,116

Drug Control Fund

Public Safety

Drug Enforcement

Advertising	\$	237	
Communication		477	
Contracts with Government Agencies		2,388	
Confidential Drug Enforcement Payments		5,800	
Maintenance Agreements		10,794	
Maintenance and Repair Services - Vehicles		493	
Rentals		2,570	
Tow-in Services		2,265	
Travel		799	
Remittance of Revenue Collected		6,422	
Animal Food and Supplies		2,651	
Gasoline		278	
Law Enforcement Supplies		1,062	
Utilities		322	

(Continued)

Exhibit J-7

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Trustee's Commission	\$	307	
In Service/Staff Development		960	
Other Charges		500	
Data Processing Equipment		2,177	
Law Enforcement Equipment		27,489	
Motor Vehicles		18,486	
Total Drug Enforcement			\$ 86,477

Total Drug Control Fund \$ 86,477

Constitutional Officers - Fees Fund

Finance

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	3,477	
Total County Clerk's Office			\$ 3,477

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	4,100	
Total Chancery Court			4,100

Total Constitutional Officers - Fees Fund 7,577

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	61,676	
Assistant(s)		31,096	
Guards		63,136	
Secretary(ies)		53,653	
Custodial Personnel		5,592	
Other Salaries and Wages		26,450	
Board and Committee Members Fees		6,540	
Maintenance and Repair Services - Buildings		1,044	
Maintenance and Repair Services - Office Equipment		790	
Postal Charges		740	
Printing, Stationery, and Forms		2,633	
Travel		114	
Permits		1,500	
Custodial Supplies		584	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Drugs and Medical Supplies	\$	364	
Office Supplies		787	
In Service/Staff Development		393	
Other Charges		422	
Total Administration			\$ 257,514

Highway and Bridge Maintenance

Equipment Operators	\$	321,157	
Truck Drivers		292,414	
Laborers		140,961	
Overtime Pay		7,623	
Rentals		2,395	
Other Contracted Services		50,134	
Asphalt - Hot Mix		90,885	
Asphalt - Liquid		120,096	
Concrete		873	
Crushed Stone		244,289	
General Construction Materials		733	
Other Road Supplies		70	
Pipe		59,639	
Road Signs		10,495	
Small Tools		446	
Wood Products		8,901	
Other Charges		1,975	
Total Highway and Bridge Maintenance			1,353,086

Operation and Maintenance of Equipment

Mechanic(s)	\$	166,301	
Overtime Pay		1,875	
Maintenance and Repair Services - Equipment		22,747	
Tow-in Services		355	
Other Contracted Services		12,717	
Diesel Fuel		175,412	
Equipment and Machinery Parts		103,579	
Garage Supplies		1,776	
Gasoline		52,314	
Ice		828	
Lubricants		11,565	
Propane Gas		395	
Small Tools		905	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Tires and Tubes	\$	39,964	
Other Supplies and Materials		12,989	
Other Charges		1,082	
Total Operation and Maintenance of Equipment			\$ 604,804

Litter and Trash Collection

Educational Assistants	\$	4,168	
Other Salaries and Wages		23,175	
Handling Charges and Administrative Costs		215	
Instructional Supplies and Materials		5,933	
Library Books/Media		826	
Other Charges		2,465	
Total Litter and Trash Collection			36,782

Other Charges

Communication	\$	4,957	
Data Processing Services		3,748	
Dues and Memberships		3,014	
Evaluation and Testing		1,320	
Legal Notices, Recording, and Court Costs		453	
Data Processing Supplies		294	
Utilities		16,246	
Water and Sewer		1,025	
Premiums on Corporate Surety Bonds		150	
Trustee's Commission		48,286	
Vehicle and Equipment Insurance		17,176	
Workers' Compensation Insurance		98,312	
Other Charges		50	
Total Other Charges			195,031

Employee Benefits

Salary Supplements	\$	9,053	
Social Security		77,342	
State Retirement		85,000	
Medical Insurance		265,438	
Unemployment Compensation		12,108	
Employer Medicare		14,852	
Other Fringe Benefits		11,109	
Total Employee Benefits			474,902

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay

Engineering Services	\$ 36,912	
Bridge Construction	306,909	
Building Improvements	159,921	
Highway Construction	423,136	
Highway Equipment	20,511	
Motor Vehicles	61,645	
Office Equipment	7,045	
Plant Operation Equipment	4,397	
State Aid Projects	350,000	
Total Capital Outlay		\$ 1,370,476

Principal on Debt

Highways and Streets

Principal on Notes	\$ 50,000	
Total Highways and Streets		50,000

Interest on Debt

Highways and Streets

Interest on Notes	\$ 5,857	
Total Highways and Streets		5,857

Total Highway/Public Works Fund \$ 4,348,452

General Debt Service Fund

Other Operations

Other Charges

Trustee's Commission	\$ 13,180	
Total Other Charges		\$ 13,180

Principal on Debt

General Government

Principal on Notes	\$ 259,362	
Principal on Other Loans	427,000	
Total General Government		686,362

Education

Principal on Bonds	\$ 851,875	
Principal on Other Loans	159,600	
Total Education		1,011,475

(Continued)

Exhibit J-7

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

General Debt Service Fund (Cont.)

Interest on Debt

General Government

Interest on Notes	\$ 11,069	
Interest on Other Loans	100,652	
Total General Government	<u>111,721</u>	\$ 111,721

Education

Interest on Bonds	\$ 610,826	
Interest on Other Loans	69,763	
Total Education	<u>680,589</u>	680,589

Other Debt Service

General Government

Bank Charges	\$ 10,425	
Total General Government	<u>10,425</u>	10,425

Education

Bank Charges	\$ 9,526	
Total Education	<u>9,526</u>	9,526

Total General Debt Service Fund \$ 2,523,278

General Capital Projects Fund

Capital Projects

General Administration Projects

Airport Improvement	\$ 30,823	
Building Improvements	11,430	
Data Processing Equipment	68,106	
Furniture and Fixtures	3,559	
Heating and Air Conditioning Equipment	5,000	
Law Enforcement Equipment	9,209	
Motor Vehicles	103,588	
Other Construction	14,950	
Other Capital Outlay	4,195	
Total General Administration Projects	<u>250,860</u>	\$ 250,860

Education Capital Projects

Contributions	\$ 499,872	
Total Education Capital Projects	<u>499,872</u>	499,872

Total General Capital Projects Fund 750,732

Total Governmental Funds - Primary Government \$ 16,905,169

Exhibit J-8

Henry County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Henry County School Department
For the Year Ended June 30, 2007

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	6,460,672	
Career Ladder Program		114,975	
Career Ladder Extended Contracts		67,915	
Homebound Teachers		19,383	
Educational Assistants		209,939	
Other Salaries and Wages		22,773	
Certified Substitute Teachers		40,878	
Non-certified Substitute Teachers		57,979	
Social Security		411,308	
State Retirement		413,022	
Medical Insurance		890,473	
Unemployment Compensation		6,655	
Employer Medicare		96,176	
Other Fringe Benefits		4,370	
Maintenance and Repair Services - Equipment		11,682	
Other Contracted Services		34,247	
Instructional Supplies and Materials		154,604	
Textbooks		163,465	
Other Supplies and Materials		73,420	
Other Charges		87,007	
Regular Instruction Equipment		165,070	
Total Regular Instruction Program			\$ 9,506,013

Alternative Instruction Program

Teachers	\$	84,775	
Educational Assistants		22,581	
Certified Substitute Teachers		173	
Non-certified Substitute Teachers		3,395	
Social Security		6,298	
State Retirement		6,471	
Medical Insurance		15,544	
Unemployment Compensation		143	
Employer Medicare		1,475	
Other Fringe Benefits		60	
Instructional Supplies and Materials		551	
Total Alternative Instruction Program			141,466

Special Education Program

Teachers	\$	738,457	
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(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Career Ladder Program	\$	11,000	
Career Ladder Extended Contracts		1,000	
Educational Assistants		96,665	
Speech Pathologist		116,562	
Certified Substitute Teachers		2,379	
Non-certified Substitute Teachers		10,122	
Social Security		57,287	
State Retirement		60,571	
Medical Insurance		117,347	
Unemployment Compensation		997	
Employer Medicare		13,398	
Other Fringe Benefits		1,100	
Total Special Education Program			\$ 1,226,885

Vocational Education Program

Teachers	\$	519,572	
Career Ladder Program		3,495	
Certified Substitute Teachers		4,352	
Non-certified Substitute Teachers		7,801	
Social Security		31,042	
State Retirement		30,095	
Medical Insurance		79,782	
Unemployment Compensation		489	
Employer Medicare		7,260	
Other Fringe Benefits		320	
Maintenance and Repair Services - Equipment		753	
Instructional Supplies and Materials		6,630	
Textbooks		5,150	
Total Vocational Education Program			696,741

Adult Education Program

Teachers	\$	160,526
Other Salaries and Wages		39,536
Social Security		11,956
State Retirement		8,997
Medical Insurance		12,683
Unemployment Compensation		360
Employer Medicare		2,796
Other Fringe Benefits		120

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Adult Education Program (Cont.)

Other Contracted Services	\$	11,583	
Instructional Supplies and Materials		17,896	
Other Charges		5,177	
Total Adult Education Program			\$ 271,630

Support Services

Attendance

Supervisor/Director	\$	55,321	
Career Ladder Program		1,500	
Career Ladder Extended Contracts		2,000	
Social Workers		36,552	
Other Salaries and Wages		51,844	
Social Security		8,936	
State Retirement		8,257	
Medical Insurance		2,813	
Unemployment Compensation		146	
Employer Medicare		2,090	
Other Fringe Benefits		100	
Travel		1,277	
Other Contracted Services		10,712	
Other Charges		1,319	
Total Attendance			182,867

Health Services

Medical Personnel	\$	112,788	
Other Salaries and Wages		25,539	
Social Security		8,423	
State Retirement		9,741	
Medical Insurance		2,813	
Unemployment Compensation		267	
Employer Medicare		1,970	
Other Fringe Benefits		180	
Travel		4,649	
Drugs and Medical Supplies		6,911	
Other Supplies and Materials		12,724	
Other Charges		311	
Health Equipment		2,475	
Total Health Services			188,791

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support

Career Ladder Program	\$	6,000	
Guidance Personnel		377,182	
Career Ladder Extended Contracts		2,000	
Secretary(ies)		22,952	
Social Security		24,358	
State Retirement		25,374	
Medical Insurance		34,367	
Unemployment Compensation		323	
Employer Medicare		5,697	
Other Fringe Benefits		1,180	
Evaluation and Testing		16,695	
Other Supplies and Materials		7,880	
Other Charges		6,223	
Total Other Student Support			\$ 530,231

Regular Instruction Program

Supervisor/Director	\$	83,990	
Career Ladder Program		6,980	
Career Ladder Extended Contracts		13,350	
Librarians		259,364	
Instructional Computer Personnel		80,873	
Secretary(ies)		27,732	
Clerical Personnel		25,500	
Other Salaries and Wages		81,640	
Social Security		33,672	
State Retirement		36,039	
Medical Insurance		54,032	
Unemployment Compensation		463	
Employer Medicare		7,890	
Other Fringe Benefits		300	
Consultants		450	
Travel		16,730	
Library Books/Media		44,020	
In Service/Staff Development		23,194	
Total Regular Instruction Program			796,219

Alternative Instruction Program

Supervisor/Director	\$	61,059	
Career Ladder Program		1,000	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Alternative Instruction Program (Cont.)

Career Ladder Extended Contracts	\$	4,000	
Social Security		4,042	
State Retirement		4,049	
Medical Insurance		4,740	
Unemployment Compensation		33	
Employer Medicare		945	
Other Fringe Benefits		20	
Communication		389	
Travel		604	
Total Alternative Instruction Program			\$ 80,881

Special Education Program

Supervisor/Director	\$	58,143	
Career Ladder Program		3,000	
Psychological Personnel		258	
Career Ladder Extended Contracts		2,000	
Secretary(ies)		22,791	
Social Security		5,123	
State Retirement		5,636	
Medical Insurance		7,314	
Unemployment Compensation		67	
Employer Medicare		1,198	
Other Fringe Benefits		40	
Total Special Education Program			105,570

Vocational Education Program

Supervisor/Director	\$	31,469	
Career Ladder Program		1,000	
Career Ladder Extended Contracts		2,000	
Social Security		2,118	
State Retirement		2,113	
Medical Insurance		4,740	
Unemployment Compensation		16	
Employer Medicare		495	
Other Fringe Benefits		20	
Travel		12,094	
Total Vocational Education Program			56,065

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education

Secretary to Board	\$	2,086	
Other Salaries and Wages		28,608	
Board and Committee Members Fees		7,800	
Social Security		2,383	
State Retirement		2,277	
Unemployment Compensation		30	
Employer Medicare		557	
Audit Services		13,125	
Dues and Memberships		5,126	
Legal Services		1,050	
Travel		4,120	
Liability Insurance		25,096	
Trustee's Commission		163,605	
Workers' Compensation Insurance		144,448	
Criminal Investigation of Applicants - TBI		1,248	
Refund to Applicant for Criminal Investigation		1,104	
Other Charges		3,723	
Total Board of Education			\$ 406,386

Director of Schools

County Official/Administrative Officer	\$	108,965	
Career Ladder Program		1,000	
Secretary(ies)		34,500	
Clerical Personnel		24,629	
Social Security		9,454	
State Retirement		10,335	
Medical Insurance		14,515	
Unemployment Compensation		98	
Employer Medicare		2,408	
Other Fringe Benefits		120	
Communication		8,686	
Dues and Memberships		2,598	
Postal Charges		7,135	
Travel		6,847	
Other Contracted Services		12,241	
Office Supplies		8,132	
Other Charges		1,298	
Administration Equipment		12,515	
Total Director of Schools			265,476

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal

Principals	\$	393,956	
Career Ladder Program		11,000	
Accountants/Bookkeepers		21,694	
Career Ladder Extended Contracts		31,550	
Assistant Principals		301,654	
Secretary(ies)		129,838	
Clerical Personnel		18,462	
Social Security		53,383	
State Retirement		58,303	
Medical Insurance		75,726	
Unemployment Compensation		644	
Employer Medicare		12,485	
Other Fringe Benefits		400	
Communication		16,950	
Dues and Memberships		4,266	
Travel		1,181	
Office Supplies		22,408	
Other Charges		11,244	
Total Office of the Principal			\$ 1,165,144

Fiscal Services

Accountants/Bookkeepers	\$	76,912	
Social Security		4,454	
State Retirement		5,039	
Medical Insurance		6,343	
Unemployment Compensation		99	
Employer Medicare		1,042	
Other Fringe Benefits		40	
Travel		1,117	
Other Contracted Services		2,757	
Data Processing Supplies		668	
Office Supplies		260	
Total Fiscal Services			98,731

Operation of Plant

Other Contracted Services	\$	496,380	
Electricity		528,117	
Natural Gas		159,939	
Water and Sewer		54,762	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Boiler Insurance	\$	5,736	
Building and Contents Insurance		<u>104,507</u>	
Total Operation of Plant	\$		1,349,441

Maintenance of Plant

Supervisor/Director	\$	43,145	
Secretary(ies)		12,432	
Maintenance Personnel		181,768	
Social Security		14,472	
State Retirement		15,989	
Medical Insurance		6,528	
Unemployment Compensation		329	
Employer Medicare		3,385	
Other Fringe Benefits		200	
Laundry Service		2,642	
Other Contracted Services		73,418	
Other Supplies and Materials		119,076	
Other Charges		<u>3,261</u>	
Total Maintenance of Plant			476,645

Transportation

Supervisor/Director	\$	43,145	
Mechanic(s)		99,204	
Bus Drivers		476,069	
Clerical Personnel		22,742	
Other Salaries and Wages		22,586	
In-Service Training		1,023	
Social Security		40,553	
State Retirement		46,325	
Medical Insurance		5,626	
Unemployment Compensation		1,630	
Employer Medicare		9,484	
Other Fringe Benefits		960	
Laundry Service		2,760	
Maintenance and Repair Services - Vehicles		1,781	
Medical and Dental Services		3,337	
Diesel Fuel		211,451	
Garage Supplies		484	
Gasoline		13,581	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Lubricants	\$	6,766	
Tires and Tubes		24,992	
Vehicle Parts		54,392	
Other Supplies and Materials		8,536	
Vehicle and Equipment Insurance		32,267	
Other Charges		18,782	
Transportation Equipment		197,183	
Total Transportation			\$ 1,345,659

Operation of Non-Instructional Services

Food Service

Building Improvements	\$	74	
Total Food Service			74

Community Services

Teachers	\$	51,089	
Other Salaries and Wages		81,420	
Social Security		7,827	
State Retirement		9,109	
Medical Insurance		7,704	
Unemployment Compensation		201	
Employer Medicare		1,831	
Travel		8,216	
Other Contracted Services		93,862	
Food Supplies		37,218	
Other Supplies and Materials		44,985	
Other Charges		43,811	
Total Community Services			387,273

Early Childhood Education

Teachers	\$	103,173	
Educational Assistants		33,991	
Other Salaries and Wages		178	
Certified Substitute Teachers		1,190	
Non-certified Substitute Teachers		2,324	
Social Security		8,509	
State Retirement		8,584	
Medical Insurance		7,361	
Unemployment Compensation		202	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

Employer Medicare	\$	1,990	
Travel		2,581	
Other Contracted Services		789	
Food Supplies		3,445	
Instructional Supplies and Materials		20,581	
Other Supplies and Materials		45,703	
In Service/Staff Development		330	
Total Early Childhood Education			\$ 240,931

Capital Outlay

Regular Capital Outlay

Architects	\$	22,431	
Building Construction		257,093	
Building Improvements		146,921	
Site Development		77,451	
Other Capital Outlay		39,449	
Total Regular Capital Outlay			543,345

Other Debt Service

Education

Contributions	\$	1,462,701	
Total Education			1,462,701

Total General Purpose School Fund \$ 21,525,165

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	430,242	
Educational Assistants		76,060	
Other Salaries and Wages		35,000	
Certified Substitute Teachers		3,376	
Non-certified Substitute Teachers		2,631	
Social Security		32,887	
State Retirement		33,748	
Medical Insurance		32,928	
Unemployment Compensation		666	
Employer Medicare		7,691	
Instructional Supplies and Materials		144,202	
Total Regular Instruction Program			\$ 799,431

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program

Teachers	\$	156,423	
Educational Assistants		230,575	
Non-certified Substitute Teachers		76	
Social Security		22,412	
State Retirement		23,577	
Medical Insurance		27,985	
Unemployment Compensation		821	
Employer Medicare		5,241	
Maintenance and Repair Services - Equipment		1,235	
Instructional Supplies and Materials		42,748	
Other Supplies and Materials		1,025	
Total Special Education Program			\$ 512,118

Vocational Education Program

Educational Assistants	\$	4,829	
Other Salaries and Wages		15,111	
Social Security		1,179	
State Retirement		314	
Medical Insurance		902	
Unemployment Compensation		54	
Employer Medicare		276	
Instructional Supplies and Materials		42,506	
Vocational Instruction Equipment		30,171	
Total Vocational Education Program			95,342

Support Services

Other Student Support

Other Salaries and Wages	\$	1,605	
Social Security		99	
State Retirement		98	
Employer Medicare		23	
Communication		2,610	
Travel		20,754	
Other Contracted Services		13,345	
Other Supplies and Materials		446	
In Service/Staff Development		7,292	
Other Charges		3,980	
Total Other Student Support			50,252

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program

Supervisor/Director	\$	58,637	
Secretary(ies)		24,863	
Social Security		5,028	
State Retirement		5,503	
Medical Insurance		2,813	
Unemployment Compensation		60	
Employer Medicare		1,176	
Travel		5,355	
Other Supplies and Materials		2,111	
In Service/Staff Development		55,050	
Other Charges		744	
Total Regular Instruction Program			\$ 161,340

Special Education Program

Psychological Personnel	\$	50,925	
Secretary(ies)		2,072	
Other Salaries and Wages		15,000	
Social Security		4,148	
State Retirement		4,432	
Medical Insurance		5,166	
Unemployment Compensation		36	
Employer Medicare		970	
Travel		12,771	
Other Contracted Services		53,969	
In Service/Staff Development		2,587	
Total Special Education Program			152,076

Vocational Education Program

Travel	\$	6,534	
Other Supplies and Materials		789	
Other Charges		788	
Total Vocational Education Program			8,111

Transportation

Bus Drivers	\$	27,809	
Other Salaries and Wages		1,714	
Social Security		1,826	
State Retirement		2,200	
Unemployment Compensation		73	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Employer Medicare	\$ 427	
Contracts with Parents	3,749	
Transportation Equipment	72,500	
Total Transportation		<u>\$ 110,298</u>

Total School Federal Projects Fund \$ 1,888,968

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 43,145	
Accountants/Bookkeepers	23,375	
Cafeteria Personnel	450,477	
Social Security	30,512	
State Retirement	33,293	
Medical Insurance	18,694	
Unemployment Compensation	1,481	
Employer Medicare	7,055	
Communication	2,306	
Maintenance and Repair Services - Equipment	2,147	
Travel	2,762	
Other Contracted Services	41,943	
Food Preparation Supplies	4,436	
Food Supplies	668,907	
Uniforms	4,445	
Other Supplies and Materials	85,209	
In Service/Staff Development	3,714	
Other Charges	1,076	
Food Service Equipment	22,043	
Total Food Service		<u>\$ 1,447,020</u>

Total Central Cafeteria Fund 1,447,020

Total Governmental Funds - Henry County School Department \$ 24,861,153

Exhibit J-9

Henry County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balances - City Agency Funds
For the Year Ended June 30, 2007

	Cities - Sales Tax Fund	Special School District Fund	Total
<u>Cash Receipts</u>			
Current Property Tax	\$ 0	\$ 1,855,372	\$ 1,855,372
Trustee's Collections - Prior Year	0	65,504	65,504
Trustee's Collections - Bankruptcy	0	550	550
Circuit/Clerk & Master Collections - Prior Years	0	13,900	13,900
Interest and Penalty	0	17,510	17,510
Payments in-Lieu-of Taxes - T.V.A.	0	1,465	1,465
Payments in-Lieu-of Taxes - Local Utilities	0	28,970	28,970
Local Option Sales Tax	3,015,039	1,119,371	4,134,410
Business Tax	0	56,419	56,419
Bank Excise Tax	0	33,279	33,279
Interstate Telecommunications Tax	0	1,495	1,495
City/School District Property Taxes:			
Current Property Tax	0	943,326	943,326
Prior Year's Property Tax	0	31,704	31,704
Interest and Penalty	0	7,687	7,687
Marriage Licenses	0	861	861
Income Tax	0	30,186	30,186
Mixed Drink Tax	0	1,848	1,848
Total Cash Receipts	<u>\$ 3,015,039</u>	<u>\$ 4,209,447</u>	<u>\$ 7,224,486</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 2,984,889	\$ 4,259,632	\$ 7,244,521
Trustee's Commission	30,150	71,124	101,274
Total Cash Disbursements	<u>\$ 3,015,039</u>	<u>\$ 4,330,756</u>	<u>\$ 7,345,795</u>
Excess of Cash Receipts Over (Under)			
Cash Disbursements	\$ 0	\$ (121,309)	\$ (121,309)
Cash Balance, July 1, 2006	0	208,989	208,989
Cash Balance, June 30, 2007	<u>\$ 0</u>	<u>\$ 87,680</u>	<u>\$ 87,680</u>

SINGLE AUDIT SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
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

February 20, 2008

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henry County, Tennessee, as of and for the year ended June 30, 2007, which collectively comprise Henry County's basic financial statements and have issued our report thereon dated February 20, 2008. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Henry County Medical Center and the Henry County Emergency Communications District (discretely presented component units) as described in our report on Henry County's financial statements. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Henry County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing

an opinion on the effectiveness of Henry County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Henry County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 07.01, 07.04, and 07.06.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Henry County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Henry 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 07.02, 07.03 and 07.05.

We consider item 07.07 described in the accompanying Schedule of Findings and Questioned Costs to be a noteworthy control deficiency over financial operations. We also noted certain matters that we reported to management of Henry County in separate communications.

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

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

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan". The signature is written in a cursive style with a long horizontal flourish at the end.

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

February 20, 2008

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Henry County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Henry County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Henry County's management. Our responsibility is to express an opinion on Henry County's compliance based on our audit.

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

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

In our opinion, Henry County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Henry County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Henry County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Henry County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

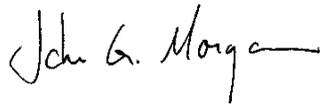
We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henry County as of and for the year ended June 30, 2007, and have issued our report thereon dated February 20, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Henry County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is

not a required part of the 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.

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

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

Yours very truly,

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

John G. Morgan
Comptroller of the Treasury

JGM/sb

Henry County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2007

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Distribution (Noncash Assistance)	10.550	N/A	\$ 60,116
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	216,677
National School Lunch Program	10.555	N/A	611,439
Passed-through State Department of Human Services:			
Child and Adult Care Food Program	10.558	03-47-64495-00-6	<u>46,652</u>
Total U.S. Department of Agriculture			<u>\$ 934,884</u>
U.S. Department of Housing and Urban Development:			
Direct Program:			
Shelter Plus Care	14.238	TN37C307001	<u>\$ 158,325</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 158,325</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(3)	\$ 75,497
Bulletproof Vest Partnership Program	16.607	2003LBBX0075	<u>9,585</u>
Total U.S. Department of Justice			<u>\$ 85,082</u>
U.S. Department of Labor:			
Passed-through Southwest Human Resources Agency:			
WIA Youth Activities	17.259	07-11-079-002-2082	\$ 39,052
Passed-through State Department of Labor and Workforce Development:			
Incentive Grants - WIA Section 503	17.267	Z-07-038000-00	<u>17,130</u>
Total U.S. Department of Labor			<u>\$ 56,182</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Airport Improvement Program	20.106	(4)	\$ 72,807
State and Community Highway Safety	20.600	Z-07-035829-00	<u>4,990</u>
Total U.S. Department of Transportation			<u>\$ 77,797</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z-07-033702-00	\$ 164,954
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	757,049
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	728,479
Special Education - Preschool Grants	84.173	N/A	52,380
Vocational Education - Basic Grants to States	84.048	N/A	131,496
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	18,411
State Grants for Innovative Programs	84.298	N/A	7,511
English Language Acquisition Grants	84.365	N/A	41,119

(Continued)

Henry County, Tennessee

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Education (Cont):			
Passed-through State Department of Education (Cont):			
Improving Teacher Quality State Grants	84.367	N/A	\$ 181,578
Hurricane Education Recovery	84.938	N/A	<u>12,429</u>
Total U.S. Department of Education			<u>\$ 2,095,406</u>
U.S. Delta Regional Authority:			
Passed-through Northwest Tennessee Development District:			
Delta Regional Development	90.200	TN-2884	<u>\$ 100,341</u>
Total U.S. Delta Regional Authority			<u>\$ 100,341</u>
U.S. Elections Assistance Commission:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	(5)	<u>\$ 224,800</u>
Total U.S. Elections Assistance Commission			<u>\$ 224,800</u>
U.S. Department of Health and Human Services:			
Passed-through Northwest Tennessee Development District:			
Special Programs for the Aging - Title III, Part B - Grants for Support Services and Senior Centers	93.044	(2)	\$ 35,502
Passed-through State Department of Education:			
Temporary Assistance for Needy Families	93.558	Z-07-034229-00	22,797
Passed-through Tennessee State University:			
Head Start	93.600	(2)	<u>166,020</u>
Total U.S. Department of Health and Human Services			<u>\$ 224,319</u>
U.S. Corporation for National and Community Service:			
Passed-through State Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	009-07-1-005	<u>\$ 6,223</u>
Total U.S. Corporation for National and Community Service			<u>\$ 6,223</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-04-022454-02	\$ 43,548
Urban Areas Security Initiative	97.008	GG-06-12303-00	7,000
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1464-DR-TN	7,478
Emergency Management Performance Grants	97.042	(6)	<u>13,452</u>
Total U.S. Department of Homeland Security			<u>\$ 71,478</u>
Total Expenditures of Federal Awards			<u>\$ 4,034,837</u>

(Continued)

Henry County, Tennessee

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

Federal/Pass-through Agency/State Grantor Program Title	Federal		Expenditures
	CFDA Number	Contract Number	
<u>State Grants</u>			
Juvenile Justice and Delinquency Prevention - State Department of Children's Services	N/A	GG-07-12632-00	\$ 55,802
Airport Maintenance Program - State Department of Transportation	N/A	(7)	28,296
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	15,595
Preventive Health and Human Services - State Department of Health	N/A	Z-07-031562-01	29,655
Recreation Trails Program - State Department of Environment and Conservation	N/A	Z-05-23533-00	47,000
Litter Grant - State Department of Transportation	N/A	Z-07-033808-00	45,499
Waste Tire Options Grant - State Department of Environment and Conservation	N/A	Z-03-011332-00	28,589
Coordinated School Health Improvement for Essential Structures - State Department of Education	N/A	(2)	61,562
Early Childhood Education Pilot Project - State Department of Education	N/A	(2)	129,208
Family Resource Center - State Commission on Children and Youth	N/A	(2)	33,300
Lottery for Education - After School Programs - State Department of Education	N/A	(2)	61,062
High Schools That Work - State Department of Education	N/A	(2)	<u>8,000</u>
Total State Grants			<u>\$ 543,568</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) GG-06-12143-00: \$1,274; GG-07-12588-00: \$65,223; Z-07036542: \$9,000.

(4) Z-03-014194-00: \$44,914; Z-07-03758-00: \$9,450; 40-555-0314-04: \$18,443.

(5) Z-06032955-00: \$193,750; Z-07-037867-00: \$31,050.

(6) Z-07-20603-00: \$8,386; Z-06-032840-00: \$5,066.

(7) Z-06-028744-01: \$16,184; Z-07-035618-00: \$12,112.

Henry County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2007

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Henry County, Tennessee, for the year ended June 30, 2006, which have not been corrected.

OFFICE OF COUNTY MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.01	178	Purchase orders were issued after purchases were made
06.02	178	Expenditures exceeded appropriations
06.04	179	The county used a questionable method of funding officials' corporate surety bonds

OFFICE OF ROAD SUPERVISOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.05	179	Purchase orders were issued after purchases were made

OTHER FINDINGS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.13	199	Duties were not segregated adequately in the Offices of County Clerk, Circuit and General Sessions Courts Clerk, Register, and Sheriff
06.14	199	A central system of accounting, budgeting, and purchasing had not been adopted

HENRY COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2007

PART I, SUMMARY OF AUDITOR'S RESULTS

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

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

OFFICE OF COUNTY MAYOR

FINDING 07.01 **PURCHASE ORDERS WERE ISSUED AFTER PURCHASES WERE MADE**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

In most instances, the office issued purchase orders after purchases were made. This practice defeats the purpose of issuing a purchase order and makes the purchase order an approval for payment, rather than an approval for the purchase.

RECOMMENDATION

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

MANAGEMENT’S RESPONSE – COUNTY MAYOR

Effective July 1, 2007, we require purchase orders before purchases are made.

FINDING 07.02 **EXPENDITURES EXCEEDED APPROPRIATIONS**
(Noncompliance Under Government Auditing Standards)

General Fund expenditures exceeded appropriations approved by the County Commission in the Other Public Safety major appropriation category (the legal level of control) by \$28,416. This expenditure, in excess of appropriations, is attributable to expenditures related to the Harrelson School road project not being formally approved by the County Commission. On August 24, 2006, the County Commission discussed the related Harrelson School road project; however, appropriations or funding sources were not formally adopted. Section 5-9-401, Tennessee Code Annotated, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies.”

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY MAYOR

We concur. The County Commission approved this project to be paid from unappropriated fund balance, but due to an oversight a resolution was not drafted.

FINDING 07.03 **THE COUNTY USED A QUESTIONABLE METHOD OF FUNDING CORPORATE SURETY BONDS FOR THE HIGHWAY DEPARTMENT**
(Noncompliance Under Government Auditing Standards)

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

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY MAYOR

Effective July 1, 2007, the Highway Department is paying their corporate surety bonds from the Highway/Public Works Fund.

OFFICE OF ROAD SUPERVISOR

FINDING 07.04 **PURCHASE ORDERS WERE ISSUED AFTER PURCHASES WERE MADE**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

In several instances, the office issued purchase orders after purchases were made. This practice defeats the purpose of issuing a purchase order and makes the purchase order an approval for payment, rather than an approval for the purchase.

RECOMMENDATION

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

OFFICE OF REGISTER

FINDING 07.05 **THE REGISTER DID NOT OBTAIN A LETTER OF AGREEMENT OR COURT DECREE TO AUTHORIZE DEPUTY HIRES
(Noncompliance Under Government Auditing Standards)**

The register did not obtain a letter of agreement or file suit in Chancery Court to authorize the number and salaries of her deputies. Section 8-20-101, Tennessee Code Annotated, permits the register to enter into a letter of agreement with the county mayor concerning the deputies and the salaries of those deputies or to file suit in Chancery Court.

RECOMMENDATION

The register should obtain a letter of agreement with the county mayor or petition Chancery Court for the number and compensation of her deputies as required by state statute.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 07.06 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, REGISTER, AND SHERIFF
(Internal Control – Significant Deficiency Under Government Auditing Standards)**

Duties were not segregated adequately among the officials and employees in the Offices of County Clerk, Circuit and General Sessions Courts Clerk, Register, and Sheriff. In the Office of County Clerk, the employee responsible for maintaining accounting records generally performs every accounting and reconciling function, except taking funds to the depository, in addition to waiting on customers. There are seven employees in the County Clerk's office so it would appear that sufficient staffing exists to allow other employees to perform some accounting or reconciling duties. In the Office of Sheriff, one employee is responsible for receipting, depositing, and disbursing funds as well as reconciling bank statements. In the Offices of Circuit and General Sessions Courts Clerk and the Register, the officials and employees responsible for maintaining the accounting records were also involved in the receipting, reconciling bank statements, preparing daily reconciliations of cash receipts, and/or preparing bank deposits. We realize that due to limited resources and personnel in the Offices of Circuit and General Sessions Courts Clerk, Register, and Sheriff, 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.

RECOMMENDATION

To strengthen internal controls over operations, officials should adequately segregate duties among employees.

FINDING 07.07 **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**
(Internal Control – Control Deficiency Under Government Auditing Standards)

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

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY MAYOR

The Henry County Commission voted not to adopt a method for centralized accounting, budgeting, and purchasing.

HENRY COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2007

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

Director of Schools – Summary Schedule of Prior Year's Findings

Findings 06.08 and 06.15

To correct deficiencies in the computer system backup procedures, the Henry County School Department began taking a weekly backup tape to an off-site vault at Lakewood School as well as keeping the previous year's backup tapes in this vault. On a rotating basis, up to four weekly backup tapes are kept in the vault, as well as up to 12 of the month-end backups. Daily backups are stored in a fireproof filing cabinet at the director of schools office.