



**ANNUAL FINANCIAL REPORT
HENDERSON COUNTY, TENNESSEE**



FOR THE YEAR ENDED JUNE 30, 2008



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**ANNUAL FINANCIAL REPORT
HENDERSON COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2008**

**DEPARTMENT OF AUDIT
JUSTIN P. WILSON
Comptroller of the Treasury**

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

**JAMES R. ARNETTE
Director**

**NORMAN R. NORMENT, CGFM
Audit Manager**

**JAN PAGE, CPA, CFE
Auditor 4**

**JAKE McNATT, CFE
VICKY BARBER, CFE
WENDY HEATH, CFE
State Auditors**

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

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Audit Highlights
Annual Financial Report
Henderson County, Tennessee
For the Year Ended June 30, 2008

Scope

We have audited the basic financial statements of Henderson County as of and for the year ended June 30, 2008.

Results

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

Our audit resulted in 15 findings and recommendations, which we have reviewed with Henderson 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 FINANCE DIRECTOR

- ◆ Henderson County does not have the resources to produce financial statements and notes to the financial statements.
- ◆ The General Fund required material audit adjustments for proper financial statement presentation.
- ◆ The former sheriff and a former employee of the County Mayor's Office are delinquent \$473.92 and \$1,181.89, respectively, at June 30, 2008, for overpayments that they had received.
- ◆ The office had deficiencies in purchasing procedures.

OFFICES OF FINANCE DIRECTOR AND ROAD SUPERVISOR

- ◆ An employee made improper purchases using Highway Department funds resulting in a cash shortage of \$422.78.
 - ◆ The Highway Department had purchasing deficiencies.
-

OFFICE OF ROAD SUPERVISOR

- ◆ The Highway Department performed work and provided materials for private purposes.
 - ◆ The department did not maintain adequate controls over consumable assets.
 - ◆ A county road list was not submitted to the County Commission for approval.
 - ◆ The Highway Department worked on roads that were not on the official county road list.
 - ◆ The office entered into a lease-purchase agreement without the prior approval of the County Commission, and a Report on Debt Obligation was not filed with the state director of Local Finance.
-

OFFICES OF COUNTY CLERK, CIRCUIT COURT CLERK, AND CLERK AND MASTER

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

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ The courts' execution docket trial balances did not reconcile with cash journal accounts.
 - ◆ The courts' software did not have adequate application controls. Receipts could be deleted, and receipts were generated on plain paper instead of prenumbered receipt stock.
-

OTHER FINDING

- ◆ Duties were not segregated adequately among the officials and employees in the Offices of County Clerk, Juvenile Court Clerk, and Sheriff.

INTRODUCTORY SECTION

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Henderson County Officials

June 30, 2008

Officials

Dennis Ray McDaniel, County Mayor
Harold Hensley, Road Supervisor
George Reel, Director of Schools
David Frizzell, Trustee
Danny Garner, Assessor of Property
Carolyn Holmes, County Clerk
Beverly Dunaway, Circuit, General Sessions, and Juvenile Courts Clerk
Leigh Milam, Clerk and Master
Denny Phillips, Register
Brian Duke, Sheriff
Ann Grant, Finance Director

Board of County Commissioners

Dennis Ray McDaniel, County Mayor, Chairman	Wanda Powers
Terry Stewart	Larry Rhodes
Celia Barrow	Timothy Rogers
Waylon Buck	Joe Ross
Steve Crownover	Gary Stewart
Johnny Fesmire	Tony Walker
Jimmy Gourley	Aaron Wood
Mack Maness	

Board of Education

Jim Grant, Chairman
Van Bledsoe
Jeff Camper
Tommy Gordon
Bobby Harrington
Daniel Lewis
John Wood

Financial Management Committee

Timothy Rogers, Chairman
Celia Barrow
Jimmy Gourley
Harold Hensley, Road Supervisor
Mack Maness
Dennis Ray McDaniel, County Mayor
George Reel, Director of Schools

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FINANCIAL SECTION

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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INDEPENDENT AUDITOR'S REPORT

May 4, 2009

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henderson County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise Henderson County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Henderson County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Henderson County Emergency Communications District, which represent 1.7 percent and 1.2 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Henderson County Emergency Communications District, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henderson County, Tennessee, as of June 30, 2008, 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 May 4, 2009, on our consideration of Henderson County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note V.B., Henderson County has adopted the provisions of Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures.

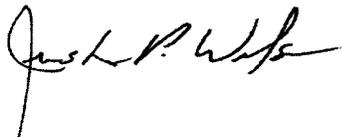
The management of Henderson County did not prepare a management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States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

The budgetary comparison, pension, and other postemployment benefits information on pages 75 through 83 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 Henderson County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service and Rural Debt Service funds, combining and individual fund financial statements of the Henderson County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service and Rural Debt Service funds, combining and individual fund financial statements of the Henderson County School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected

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

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a prominent initial "J" and a long, sweeping underline.

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

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BASIC FINANCIAL STATEMENTS

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Exhibit A

Henderson County, Tennessee
Statement of Net Assets
June 30, 2008

	Primary Government Governmental Activities	Component Units	
		Henderson County School Department	Emergency Communications District
<u>ASSETS</u>			
Cash	\$ 742,613	\$ 0	\$ 39,662
Equity in Pooled Cash and Investments	5,613,691	2,411,262	0
Investments	0	0	295,034
Accounts Receivable	60,441	1,047	21,172
Due from Other Governments	542,938	962,801	0
Property Taxes Receivable	4,424,137	2,508,834	0
Allowance for Uncollectible Property Taxes	(89,929)	(50,996)	0
Deferred Charges - Debt Issuance Costs	165,293	0	0
Capital Assets:			
Assets Not Depreciated:			
Land	2,133,209	679,161	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	857,376	17,891,435	10,332
Infrastructure	1,840,420	0	0
Other Capital Assets	1,283,092	506,549	76,551
Total Assets	\$ 17,573,281	\$ 24,910,093	\$ 442,751
<u>LIABILITIES</u>			
Accounts Payable	\$ 0	\$ 20,642	\$ 0
Accrued Payroll	0	108,361	0
Payroll Deductions Payable	0	47	0
Accrued Interest Payable	162,259	1,601	0
Other Payables from Restricted Assets	4,040	0	0
Deferred Revenue - Current Property Taxes	4,111,447	2,331,514	0
Noncurrent Liabilities:			
Due Within One Year	2,004,309	13,333	0
Due in More Than One Year (net of deferred amount on refunding)	20,255,279	181,027	0
Total Liabilities	\$ 26,537,334	\$ 2,656,525	\$ 0
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 5,267,189	\$ 19,037,144	\$ 0
Invested in Capital Assets	0	0	86,883
Restricted for:			
Solid Waste/Sanitation	225,612	0	0
Constitutional Officers - Fees	776,216	0	0
Highway/Public Works	826,374	0	0
Debt Service	3,849,884	0	0
Capital Projects	251,500	0	0
School Federal Projects	0	184,854	0
School Transportation	0	145,812	0
Other Purposes	280,534	94,346	0
Unrestricted	(20,441,362)	2,791,412	355,868
Total Net Assets	\$ (8,964,053)	\$ 22,253,568	\$ 442,751

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

Exhibit B

Henderson County, Tennessee
 Statement of Activities
 For the Year Ended June 30, 2008

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets													
	Primary Government					Component Units								
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Henderson County School Department	Emergency Communications District							
Primary Government:														
Governmental Activities:														
General Government	\$ 636,653	\$ 142,148	\$ 39,312	\$ 0	\$ (455,193)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	930,877	570,183	10,670	0	(350,024)	0	0	0	0	0	0	0	0	0
Administration of Justice	859,508	1,022,672	18,615	0	181,779	0	0	0	0	0	0	0	0	0
Public Safety	3,252,263	437,889	85,164	0	(2,729,210)	0	0	0	0	0	0	0	0	0
Public Health and Welfare	625,593	35,238	139,831	0	(450,524)	0	0	0	0	0	0	0	0	0
Social, Cultural, and Recreational Services	75,469	0	0	0	(75,469)	0	0	0	0	0	0	0	0	0
Agriculture and Natural Resources	99,620	0	0	0	(99,620)	0	0	0	0	0	0	0	0	0
Other Operations	189,624	0	0	0	(189,624)	0	0	0	0	0	0	0	0	0
Highways	2,031,557	7,484	1,837,291	332,281	145,499	0	0	0	0	0	0	0	0	0
Interest on Long-term Debt	1,055,364	0	287,708	0	(767,656)	0	0	0	0	0	0	0	0	0
Other Debt Service	60,915	0	0	0	(60,915)	0	0	0	0	0	0	0	0	0
Total Primary Government	\$ 9,817,443	\$ 2,215,614	\$ 2,418,591	\$ 332,281	\$ (4,850,957)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Component Units:														
Henderson County School Department	\$ 25,422,564	\$ 115,458	\$ 3,576,157	\$ 0	\$ 0	\$ (21,730,949)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Emergency Communications District	338,148	194,991	0	0	0	0	0	0	0	0	0	0	0	(143,157)
Total Component Units	\$ 25,760,712	\$ 310,449	\$ 3,576,157	\$ 0	\$ 0	\$ (21,730,949)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (143,157)

(Continued)

Exhibit B

Henderson County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units	
				Total Governmental Activities	Henderson County School Department	Emergency Communications District	
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes				\$ 3,097,482	\$ 2,711,425	\$ 0	0
Property Taxes Levied for Debt Service				1,683,639	0	0	0
Local Option Sales Taxes				626,050	2,285,289	0	0
Other Local Taxes				514,432	366,141	0	0
Grants and Contributions Not Restricted to Specific Programs				345,844	16,382,938	110,124	110,124
Unrestricted Investment Earnings				339,595	0	0	17,147
Miscellaneous				20,184	68,578	0	0
Total General Revenues				\$ 6,627,226	\$ 21,814,371	\$ 127,271	127,271
Change in Net Assets				\$ 1,776,269	\$ 83,422	\$ (15,886)	(15,886)
Prior-period Adjustment				(58,649)	0	0	0
Net Assets, July 1, 2007				(10,681,673)	22,170,146	458,637	458,637
Net Assets, June 30, 2008				\$ (8,964,053)	\$ 22,253,568	\$ 442,751	442,751

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

Henderson County, Tennessee
Balance Sheet
Governmental Funds
 June 30, 2008

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway /	General	Rural	Other	Governmental	
		Public Works	Debt Service	Debt Service	Governmental Funds	Funds	
\$ 0 \$	0 \$	0 \$	0 \$	0 \$	742,613 \$	742,613	
1,036,478	505,677	2,323,019	1,195,997	552,520	5,613,691	5,613,691	
19,155	86	827	0	40,373	60,441	60,441	
119,427	326,699	0	96,812	0	542,938	542,938	
223	0	0	0	0	0	223	
2,407,251	162,652	1,561,461	0	292,773	4,424,137	4,424,137	
(48,931)	(3,307)	(31,740)	0	(5,951)	(89,929)	(89,929)	
\$ 3,533,603 \$	991,807 \$	3,853,567 \$	1,292,809 \$	1,622,328 \$	11,294,114	11,294,114	

ASSETS

Cash
 Equity in Pooled Cash and Investments
 Accounts Receivable
 Due from Other Governments
 Due from Other Funds
 Property Taxes Receivable
 Allowance for Uncollectible Property Taxes

Total Assets

LIABILITIES AND FUND BALANCES

Liabilities

Due to Other Funds
 Current Liabilities Payable from Restricted Assets:
 Other Payables from Restricted Assets
 Deferred Revenue - Current Property Taxes
 Deferred Revenue - Delinquent Property Taxes
 Other Deferred Revenues
 Total Liabilities

Fund Balances

Reserved for Encumbrances
 Reserved for Alcohol and Drug Treatment
 Reserved for Litigation Tax - Jail, Workhouse, or Courthouse
 Reserved for Drug Court
 Reserved for Sexual Offender Registration
 Reserved for Courtroom Security
 Reserved for Computer System - Register
 Reserved for Automation Purposes - Sheriff

(Continued)

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	Highway / Public Works	General Debt Service	Rural Debt Service	Other Governmental Funds			
\$ 904,684	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 904,684	
0	683,392	0	0	1,084,382	0	1,767,774	
0	0	2,331,151	1,244,271	0	0	3,575,422	
0	0	0	0	251,500	0	251,500	
<u>\$ 1,157,159</u>	<u>\$ 683,392</u>	<u>\$ 2,331,151</u>	<u>\$ 1,244,271</u>	<u>\$ 1,336,650</u>	<u>\$ 0</u>	<u>\$ 6,752,623</u>	
<u>\$ 3,533,603</u>	<u>\$ 991,807</u>	<u>\$ 3,853,567</u>	<u>\$ 1,292,809</u>	<u>\$ 1,622,328</u>	<u>\$ 0</u>	<u>\$ 11,294,114</u>	

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)
 Unreserved, Reported In:
 General Fund
 Special Revenue Funds
 Debt Service Funds
 Capital Projects Funds
 Total Fund Balances

Total Liabilities and Fund Balances

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

Exhibit C-2

Henderson County, Tennessee

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

June 30, 2008

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$ 6,752,623
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 2,133,209	
Add: buildings and improvements net of accumulated depreciation	857,376	
Add: infrastructure net of accumulated depreciation	1,840,420	
Add: other capital assets net of accumulated depreciation	<u>1,283,092</u>	6,114,097
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: notes payable	\$ (2,086,833)	
Less: capital lease payable	(72,979)	
Less: bonds payable	(20,215,000)	
Add: deferred amount on refunding	313,836	
Add: deferred charges - debt issuance costs	165,293	
Less: compensated absences payable	(81,716)	
Less: landfill closure/postclosure care costs	(107,833)	
Less: other postemployment benefits	(9,063)	
Less: accrued interest on notes and bonds	<u>(162,259)</u>	(22,256,554)
(3) Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the governmental funds.		<u>425,781</u>
Net assets of governmental activities (Exhibit A)		<u>\$ (8,964,053)</u>

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

Exhibit C-3

Henderson County, Tennessee
 Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2008

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Rural Debt Service	Other	Governmental Funds	
Revenues							
Local Taxes	\$ 3,269,731	\$ 180,665	\$ 1,728,497	\$ 539,082	\$ 325,207	\$ 6,043,182	
Licenses and Permits	1,140	0	0	0	0	1,140	
Fines, Forfeitures, and Penalties	239,512	0	0	0	93,616	333,128	
Charges for Current Services	49,800	0	0	0	983,488	1,033,288	
Other Local Revenues	150,664	10,235	173,767	33,746	34,218	402,630	
Fees Received from County Officials	414,725	0	0	0	0	414,725	
State of Tennessee	481,835	2,163,458	0	0	11,875	2,657,168	
Federal Government	40,972	0	0	0	0	40,972	
Other Governments and Citizens Groups	337,186	0	0	287,708	0	624,894	
Total Revenues	\$ 4,985,565	\$ 2,354,358	\$ 1,902,264	\$ 860,536	\$ 1,448,404	\$ 11,551,127	
Expenditures							
Current:							
General Government	\$ 598,503	\$ 0	\$ 0	\$ 0	\$ 0	\$ 598,503	
Finance	502,125	0	0	0	369,663	871,788	
Administration of Justice	276,191	0	0	0	516,364	792,555	
Public Safety	2,665,299	0	0	0	96,331	2,761,630	
Public Health and Welfare	151,919	0	0	0	380,468	532,387	
Social, Cultural, and Recreational Services	75,469	0	0	0	0	75,469	
Agriculture and Natural Resources	98,973	0	0	0	0	98,973	
Other Operations	495,549	0	0	0	0	495,549	
Highways	0	2,325,974	0	0	0	2,325,974	
Debt Service:							
Principal on Debt	54,150	9,996	1,478,403	455,000	0	1,997,549	
Interest on Debt	14,093	2,406	764,749	247,332	0	1,028,580	
Other Debt Service	0	0	38,979	6,592	0	45,571	
Capital Projects	0	0	0	0	388,500	388,500	
Total Expenditures	\$ 4,932,271	\$ 2,338,376	\$ 2,282,131	\$ 708,924	\$ 1,751,326	\$ 12,013,028	
Excess (Deficiency) of Revenues Over Expenditures	\$ 53,294	\$ 15,982	\$ (379,867)	\$ 151,612	\$ (302,922)	\$ (461,901)	

(Continued)

Exhibit C-3

Henderson 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	Rural Debt Service	Other Governmental Funds			
<u>Other Financing Sources (Uses)</u>								
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 40,000	\$ 40,000	\$ 40,000
Capital Leases Issued	0	82,975	0	0	0	0	82,975	82,975
Proceeds from Sale of Capital Assets	5,600	0	0	0	0	0	5,600	5,600
Insurance Recovery	60,086	8,824	0	0	0	0	68,910	68,910
Transfers In	0	0	0	0	0	600,000	600,000	600,000
Transfers Out	0	0	(600,000)	0	0	0	(600,000)	(600,000)
Total Other Financing Sources (Uses)	\$ 65,686	\$ 91,799	\$ (600,000)	\$ 0	\$ 0	\$ 640,000	\$ 197,485	\$ 197,485
Net Change in Fund Balances	\$ 118,980	\$ 107,781	\$ (979,867)	\$ 151,612	\$ 337,078	\$ (264,416)	\$ (264,416)	\$ (264,416)
Fund Balance, July 1, 2007	1,038,179	575,611	3,311,018	1,092,659	999,572	7,017,039	7,017,039	7,017,039
Fund Balance, June 30, 2008	\$ 1,157,159	\$ 683,392	\$ 2,331,151	\$ 1,244,271	\$ 1,336,650	\$ 6,752,623	\$ 6,752,623	\$ 6,752,623

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

Exhibit C-4

Henderson County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

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)		\$ (264,416)	
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current period	\$ 703,665		
Less: current year depreciation expense	<u>(551,693)</u>	151,972	
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2008	\$ 425,781		
Less: deferred delinquent property taxes and other deferred June 30, 2007	<u>(383,196)</u>	42,585	
(3) The issuance of long-term debt (e.g., notes, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items.			
Less: capital lease proceeds	\$ (82,975)		
Less: change in deferred amount on refunding debt	(41,822)		
Less: change in deferred debt issuance costs	(15,344)		
Add: principal payments on notes	807,553		
Add: principal payments on capital lease	9,996		
Add: principal payments on bonds	<u>1,180,000</u>	1,857,408	
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in accrued interest payable	\$ 15,038		
Change in closure/postclosure care costs	2,692		
Change in compensated absences payable	(19,947)		
Change in other postemployment benefits	<u>(9,063)</u>	<u>(11,280)</u>	
Change in net assets of governmental activities (Exhibit B)			<u>\$ 1,776,269</u>

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

Exhibit D

Henderson County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2008

	<u>Agency Funds</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 97,756
Cash	1,483,399
Accounts Receivable	2,323
Due from Other Governments	656,762
Taxes Receivable	516,496
Allowance for Uncollectible Taxes	<u>(10,498)</u>
Total Assets	<u>\$ 2,746,238</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 1,260,702
Due to Litigants, Heirs, and Others	<u>1,485,536</u>
Total Liabilities	<u>\$ 2,746,238</u>

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

**HENDERSON COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2008**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

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

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

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

Administrative Office:

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Fiduciary fund financial statements are reported using the economic resources measurement focus (except for agency funds, which have no measurement focus) and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Henderson County reports the following major governmental funds:

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

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

Rural Debt Service Fund – This fund accounts for resources accumulated and payments made for principal and interest on rural school debt.

Additionally, Henderson County reports the following fund types:

Capital Projects Fund – The General Capital Projects Fund is used to account for the acquisition or construction of major capital facilities.

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

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

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

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

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

Capital Projects Fund – The Education Capital Projects Fund is used to account for the acquisition or construction of major capital facilities.

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Henderson County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Fund. Henderson County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the

Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.01 percent of total taxes levied.

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

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

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

Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty the

following March 1. Suit must be filed in Chancery Court between the following February 1 to April 1 for any remaining unpaid taxes. Additional costs attach to delinquent taxes after a court suit has been filed.

3. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than 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	5-15
Infrastructure:	
Roads	10-20
Bridges	15-30

4. Compensated Absences

It is the county's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since Henderson County does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements for the county. A liability for vacation pay is reported in governmental funds only if amounts have

matured, for example, as a result of employee resignations and retirements.

5. Long-term Obligations

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

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

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

6. Net Assets and Fund Equity

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

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other

governments or (2) law through constitutional provisions or enabling legislation.

- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

As of June 30, 2008, Henderson County had \$21,525,800 in outstanding debt issued for capital purposes of the discretely presented Henderson County School Department. In accordance with state statutes, certain county school debt proceeds must be shared with other public school systems in the county (City of Lexington School System) based on an average daily attendance proration. This debt is a liability of Henderson County, but the capital assets acquired are reported in the financial statements of the Henderson County School Department and the City of Lexington School System. Therefore, Henderson County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The following table reflects designations on June 30, 2008:

<u>Fund/Purpose</u>	<u>Amount</u>
General:	
Tourism	\$ 66,842
Industrial Purposes	92,598

7. Prior-period Adjustment

The closure/postclosure care cost liability was restated \$58,649 from the prior-year because a portion of the liability had been omitted.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Henderson County School Department

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

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

Primary Government

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

Discretely Presented Henderson 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 funds, which adopt project length budgets. All annual appropriations lapse at fiscal year end.

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances

may not legally exceed appropriations authorized by the County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County Mayor, County Attorney, 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. State Statutes Were Not Followed for a Lease Purchase Agreement

On November 7, 2007, the Highway Department entered into a lease-purchase agreement for an excavator (\$82,975) without the prior approval of the County Commission. Section 7-51-904, Tennessee Code Annotated (TCA), requires lease-purchase agreements to be approved by resolution of the County Commission. Additionally, the office did not file a Report of Debt Obligation with the state director of Local Finance. Section 9-21-151, TCA, requires that within 45 days following the issuance of debt, a county must provide to the state director of Local Finance certain information, such as a description of the purchase for which the debt is issued, a description of the debt obligation, and an itemized description of the cost of issuance. Officials advised that the County Commission had approved the solicitation of bids for the excavator.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

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

Investments

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

Investment Balances. As of June 30, 2008, Henderson County had the following investments carried at cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Henderson County and the discretely presented Henderson County School Department since both pool their deposits and investments through the county trustee.

Investment	Maturities	Cost
State Treasurer's Investment Pool	Daily	\$ 3,487,973

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

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Henderson County has no investment policy that would further limit its investment choices. As of June 30, 2008, Henderson County's investment in the State Treasurer's Investment Pool was unrated.

B. Capital Assets

Capital assets activity for the year ended June 30, 2008, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets				
Not Depreciated:				
Land	\$ 2,133,209	\$ 0	\$ 0	\$ 2,133,209
Total Capital Assets				
Not Depreciated	\$ 2,133,209	\$ 0	\$ 0	\$ 2,133,209
Capital Assets Depreciated:				
Buildings and				
Improvements	\$ 2,635,330	\$ 0	\$ 0	\$ 2,635,330
Infrastructure	1,859,547	420,360	0	2,279,907
Other Capital Assets	4,275,254	283,305	35,000	4,523,559
Total Capital Assets				
Depreciated	\$ 8,770,131	\$ 703,665	\$ 35,000	\$ 9,438,796

Governmental Activities:

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Less Accumulated Depreciation For: Buildings and Improvements	\$ 1,723,852	\$ 54,102	\$ 0	\$ 1,777,954
Infrastructure	310,446	129,041	0	439,487
Other Capital Assets	2,906,917	368,550	35,000	3,240,467
Total Accumulated Depreciation	<u>\$ 4,941,215</u>	<u>\$ 551,693</u>	<u>\$ 35,000</u>	<u>\$ 5,457,908</u>
Total Capital Assets Depreciated, Net	<u>\$ 3,828,916</u>	<u>\$ 151,972</u>	<u>\$ 0</u>	<u>\$ 3,980,888</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,962,125</u>	<u>\$ 151,972</u>	<u>\$ 0</u>	<u>\$ 6,114,097</u>

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

Governmental Activities:

General Government	\$ 2,588
Finance	1,115
Public Safety	257,236
Public Health and Welfare	79,153
Highways	<u>211,601</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 551,693</u>

Discretely Presented Henderson County School Department

Governmental Activities:

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets Not Depreciated: Land	\$ 679,161	\$ 0	\$ 0	\$ 679,161
Total Capital Assets Not Depreciated	<u>\$ 679,161</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 679,161</u>

Governmental Activities (Cont.):

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets Depreciated:				
Building and				
Improvements	\$ 35,966,020	\$ 391,158	\$ 0	\$ 36,357,178
Other Capital Assets	640,081	192,026	78,000	832,107
Total Capital Assets	<hr/>			
Depreciated	\$ 36,606,101	\$ 583,184	\$ 78,000	\$ 37,189,285
Less Accumulated				
Depreciation For:				
Building and				
Improvements	\$ 17,184,992	\$ 1,280,751	\$ 0	\$ 18,465,743
Other Capital Assets	223,248	71,117	46,807	247,558
Total Accumulated	<hr/>			
Depreciation	\$ 17,408,240	\$ 1,351,868	\$ 46,807	\$ 18,713,301
Total Capital Assets	<hr/>			
Depreciated, Net	\$ 19,197,861	\$ (768,684)	\$ 31,193	\$ 18,397,984
Governmental Activities	<hr/>			
Capital Assets, Net	\$ 19,877,022	\$ (768,684)	\$ 31,193	\$ 19,077,145

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

Governmental Activities:

Instruction	\$ 1,157,718
Support Services	133,960
Operation of Non-Instructional Services	<u>60,190</u>
Total Depreciation Expense -	
Governmental Activities	<u>\$ 1,351,868</u>

Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2008, is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 223

This balance 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, 2008, consisted of the following amounts:

Primary Government

Transfer Out	Transfer In Nonmajor Governmental Funds
General Debt Service Fund	\$ 600,000

Discretely Presented Henderson County School Department

Transfer Out	Transfer In General Purpose School Fund
Nonmajor governmental funds	\$ 8,766

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

C. Capital Lease

On November 7, 2007, Henderson County entered into a five-year lease-purchase agreement for highway equipment. The terms of the agreement require total lease payments of \$82,975 plus interest of 4.59 percent. Title to the equipment transfers to Henderson County at the end of the lease period. The lease payments are made from the Highway/Public Works Fund. This lease-purchase agreement was not entered into in compliance with state statutes.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2008, were as follows:

Year Ending June 30	Governmental Funds
2009	\$ 18,604
2010	18,603
2011	18,604
2012	18,603
2013	6,202
Total Minimum Lease Payments	\$ 80,616
Amount Representing Interest	(7,637)
Present Value of Minimum Lease Payments	<u>\$ 72,979</u>

D. Long-term Debt

Primary Government

General Obligation Bonds and Notes

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 20 years for bonds and up to 12 years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and notes included in long-term debt as of June 30, 2008, will be retired from the General Debt Service, Rural Debt Service, and General funds.

General obligation bonds, capital outlay notes, and capital leases outstanding as of June 30, 2008, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-08
General Obligation Bonds	2 to 6%	\$ 16,400,000	\$ 7,975,000
General Obligation Bonds - Refunding	2 to 5	13,130,000	12,240,000
Capital Outlay Notes	2.45 to 4.5	1,835,500	1,251,833
Capital Outlay Notes - Refunding	3.2 to 3.95	1,620,000	835,000
Capital Lease	4.59	82,975	72,979

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2008, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2009	\$ 1,280,000	\$ 856,287	\$ 2,136,287
2010	1,550,000	802,619	2,352,619
2011	1,700,000	736,895	2,436,895
2012	1,820,000	669,325	2,489,325
2013	1,930,000	593,761	2,523,761
2014-2018	9,165,000	1,617,362	10,782,362
2019-2023	2,445,000	311,717	2,756,717
2024	325,000	13,813	338,813
Total	\$ 20,215,000	\$ 5,601,779	\$ 25,816,779

Year Ending June 30	Notes		
	Principal	Interest	Total
2009	\$ 631,833	\$ 81,472	\$ 713,305
2010	280,000	55,818	335,818
2011	240,000	47,097	287,097
2012	260,000	37,768	297,768
2013	265,000	27,497	292,497
2014-2017	410,000	37,750	447,750
Total	\$ 2,086,833	\$ 287,402	\$ 2,374,235

There is \$3,575,422 available in the debt service funds to service long-term debt. Bonded debt per capita totaled \$792, based on the 2000 federal census. Debt per capita, including bonds, notes, and capital leases totaled \$877, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

Governmental Activities:	<u>Bonds</u>	<u>Notes</u>
Balance, July 1, 2007	\$ 21,395,000	\$ 2,894,386
Deductions	<u>(1,180,000)</u>	<u>(807,553)</u>
Balance, June 30, 2008	<u>\$ 20,215,000</u>	<u>\$ 2,086,833</u>
Balance Due Within One Year	<u>\$ 1,280,000</u>	<u>\$ 631,833</u>
	<u>Compensated Absences</u>	<u>Landfill Postclosure Care Costs</u>
Balance, July 1, 2007	\$ 61,769	\$ 110,525
Additions	108,964	0
Deductions	<u>(89,017)</u>	<u>(2,692)</u>
Balance, June 30, 2008	<u>\$ 81,716</u>	<u>\$ 107,833</u>
Balance Due Within One Year	<u>\$ 73,897</u>	<u>\$ 3,000</u>
		<u>Other Postemployment Benefits</u>
Balance, July 1, 2007	\$	0
Additions		14,651
Deductions		<u>(5,588)</u>
Balance, June 30, 2008	<u>\$</u>	<u>9,063</u>
Balance Due Within One Year	<u>\$</u>	<u>0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 22,573,424
Less: Balance Due Within One Year	(2,004,309)
Less: Deferred Amount on Refunding	<u>(313,836)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 20,255,279</u>

Compensated absences and other postemployment benefits payable will be paid from the employing funds, primarily the General and Highway/Public Works funds. Landfill postclosure care costs will be paid from the Solid Waste/Sanitation Fund.

Discretely Presented Henderson County School Department

The annual requirements to amortize all general obligation notes outstanding as of June 30, 2008, including interest payments, are presented in the following table:

Year Ending June 30	Notes		
	Principal	Interest	Total
2009	\$ 13,333	\$ 1,920	\$ 15,253
2010	13,333	1,280	14,613
2011	13,334	640	13,974
Total	<u>\$ 40,000</u>	<u>\$ 3,840</u>	<u>\$ 43,840</u>

Debt per capita for these notes totaled \$2, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Henderson County School Department for the year ended June 30, 2008, was as follows:

Governmental Activities:

	Notes	Other Postemployment Benefits
Balance, July 1, 2007	\$ 0	\$ 0
Additions	40,000	245,896
Deductions	0	(91,536)
Balance, June 30, 2008	<u>\$ 40,000</u>	<u>\$ 154,360</u>
Balance Due Within One Year	<u>\$ 13,333</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 194,360
Less: Balance Due Within One Year	<u>(13,333)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 181,027</u>

Other postemployment benefits will be paid from the employing funds, the General Purpose School and School Federal Projects funds.

E. On-Behalf Payments – Discretely Presented Henderson County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Henderson County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2008 were \$86,673 and \$25,350, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

F. Internal Financing

In-lieu-of issuing debt with financial institutions, Henderson County often chooses to internally finance various projects with idle county funds. These debt issues that will be repaid from the same fund in which the loan was obtained are reflected as transfers (not notes receivable) in the financial statements of this report. Internally reported notes receivable from idle funds loaned from the General Debt Service Fund that will subsequently be paid by the General Debt Service Fund are reflected below:

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date
Judicial Complex	\$ 600,000	0 %	3-10-08	6-30-11
	Outstanding 7-1-07	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-08
Judicial Complex	\$ 0	\$ 600,000	\$ 0	\$ 600,000

G. Short-term Debt

Primary Government

Henderson County issued a tax anticipation note in advance of property tax collections and deposited the proceeds in the General Fund. This note was necessary because funds were not available for operating expenses coming due before current tax collections. Short-term debt activity for the year ended June 30, 2008, was as follows:

	Balance 7-1-07	Issued	Redeemed	Balance 6-30-08
Tax Anticipation Note	\$ 0	\$ 600,000	\$ (600,000)	\$ 0

Discretely Presented Henderson County School Department

Henderson County issued a tax anticipation note in advance of property tax collections and deposited the proceeds in the School Transportation Fund. This note was necessary because funds were not available for operating expenses coming due before current tax collections. Short-term debt activity for the year ended June 30, 2008, was as follows:

	Balance 7-1-07	Issued	Redeemed	Balance 6-30-08
Tax Anticipation Note	\$ 0	\$ 200,000	\$ (200,000)	\$ 0

V. OTHER INFORMATION

A. Risk Management

Henderson County

Employee Health Insurance

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

Workers' Compensation Insurance

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

Liability, Property, and Casualty

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

Discretely Presented Henderson County School Department

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

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

The School Department participates in the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The School Department pays annual premiums to the TN-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of TN-RMT provides for it to be self-sustaining through member premiums. The TN-RMT reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures became effective for the year ended June 30, 2008.

GASB Statement No. 45 establishes reporting requirements for Other Postemployment Benefits (OPEB). OPEB includes postemployment healthcare, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. This statement establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the county's financial statements. In previous years, Henderson County and the Henderson County School Department had only recognized the current year cost (expense) of these benefits. GASB Statement No. 45 was implemented prospectively with a zero net OPEB obligation at transition.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions are sales or collateralized borrowings and provides guidance on how to account for sales or pledges of receivables or future revenues. This statement provides additional guidance for sales of receivables and future revenues within the same reporting entity. This statement also requires governments to disclose in the notes to the financial statements the nature of any receivables or future revenues that have been pledged or sold. Tennessee state statutes do not currently allow counties to sell or pledge receivables or sell future revenue streams. Therefore, those provisions of GASB Statement No. 48 that pertain to the sale or pledge of receivables or sale of future revenue will not apply to Henderson County. GASB Statement No. 48 had no effect on the financial statements of Henderson County for the year ended June 30, 2008, since the county has not pledged any of its future revenues.

However, it is reasonably expected that Henderson County may pledge a future revenue stream toward the payment of debt in subsequent years.

GASB Statement No. 50 amends previous guidance concerning pension information. This statement closely aligns the financial reporting requirements for pensions with those for OPEB and enhances the information disclosed in the notes to the financial statements or presented as required supplementary information for pension plans. This statement requires Henderson County to provide additional and more detailed pension plan note disclosures than in previous years.

C. Subsequent Events

On October 27, 2008, the county's General Debt Service Fund issued a \$200,000 tax anticipation note to the School Transportation Fund for temporary operating funds.

On October 27, 2008, the county's General Debt Service Fund issued a \$600,000 tax anticipation note to the General Fund for temporary operating funds.

On December 11, 2008, Henderson County issued general obligation bonds totaling \$9,500,000 for the construction of a justice complex.

George Reel resigned as director of schools effective December 31, 2008. Steve Wilkinson was appointed director effective January 1, 2009.

D. Contingent Liabilities

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

E. Change in Administration

Teresa McDaniel resigned as director of schools effective June 30, 2007. On July 1, 2007, George Reel was appointed director of schools.

F. Landfill Closure/Postclosure Care Costs

The City of Lexington-Henderson County Landfill is jointly owned by the City of Lexington and Henderson County. The City of Lexington operates the landfill and is responsible for its closure and postclosure care costs. State and federal laws and regulations require the City of Lexington to place a final cover on the landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The landfill reached its capacity and was closed in May 1996. Henderson County paid 50 percent of the closure costs and has contractually agreed to

pay 50 percent of the postclosure care costs. Henderson County's portion of the postclosure care costs for the year totaled \$2,692. Future postclosure care costs are estimated to be \$215,666. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The \$107,833 reported as Accrued Liability for Landfill Postclosure Care Costs in Henderson County's financial statements at June 30, 2008, represents 50 percent of the remaining estimated costs for future postclosure care functions.

G. Joint Ventures

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

The Beech River Regional Airport was established through a joint operations agreement between Decatur County, Henderson County, the City of Parsons, and the City of Lexington. The agreement created the Beech River Regional Airport Board to plan, develop, and maintain a regional airport that will economically benefit all residents of the two-county area. The board comprises nine members, two from each governmental unit and one appointed by the governmental entities on a one-year rotation basis. Each participant retains a 25 percent ownership in the airport; however, participants do not retain an equity interest in the airport. During the year ended June 30, 2008, the county appropriated an operating subsidy of \$29,481 to the airport.

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

Administrative Offices:

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

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

H. Retirement Commitments

Plan Description

County Officials

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

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

General County Employees

Employees of Henderson County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension

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

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Funding Policy

County Officials

Henderson County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2008, was 8.45 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Henderson County is established and may be amended by the TCRS Board of Trustees.

General County Employees

Henderson County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2008, was 9.31 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Henderson County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

County Officials

For the year ended June 30, 2008, Henderson County's annual pension cost of \$55,710 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2005, 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 postretirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Henderson County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was 12 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-08	\$55,710	100%	\$0
6-30-07	54,361	100	0
6-30-06	44,451	100	0

General County Employees

For the year ended June 30, 2008, Henderson County's annual pension cost of \$466,679 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2005, 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 postretirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Henderson County's unfunded actuarial accrued liability is being amortized

as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was 17 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-08	\$466,679	100%	\$0
6-30-07	437,942	100	0
6-30-06	421,804	100	0

Funded Status and Funding Progress

County Officials

As of July 1, 2007, the most recent actuarial valuation date, the plan was 89.75 percent funded. The actuarial accrued liability for benefits was \$1.03 million, and the actuarial value of assets was \$.92 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.11 million. The covered payroll (annual payroll of active employees covered by the plan) was \$.59 million, and the ratio of the UAAL to the covered payroll was 17.85 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

General County Employees

As of July 1, 2007, the most recent actuarial valuation date, the plan was 79.92 percent funded. The actuarial accrued liability for benefits was \$4.29 million, and the actuarial value of assets was \$3.43 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.86 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4.58 million, and the ratio of the UAAL to the covered payroll was 18.81 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

School Teachers

Plan Description

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

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Henderson County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2007, was 6.24 percent of annual covered payroll. The employer contribution requirement for the Henderson County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2008, 2007, and 2006, were \$727,037, \$707,206, and \$608,070, respectively, equal to the required contributions for each year.

I. Other Postemployment Benefits (OPEB)

Plan Description

Henderson County and the Henderson County School Department participate in the state-administered Local Government Group Insurance Plan and the Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-207, Tennessee Code Annotated (TCA), for local governments and Section 8-27-302, TCA, for teachers and support personnel. Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a partial subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. Retirees' contributions vary depending on the insurance options they select, ranging from \$232 to \$632 per month. During the year ended June 30, 2008, Henderson County and the Henderson County

School Department contributed \$5,588 and \$91,536, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Government Group Plan	Local Education Group Plan
ARC	\$ 14,651	\$ 245,896
Interest on the NPO	0	0
Adjustment to the ARC	0	0
Annual OPEB cost	\$ 14,651	\$ 245,896
Less: Amount of contribution	(5,588)	(91,536)
Increase/decrease in NPO	\$ 9,063	\$ 154,360
Net OPEB obligation, 7-1-07	0	0
 Net OPEB obligation, 6-30-08	 \$ 9,063	 \$ 154,360

Year Ended*	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-08	Local Government Group	\$ 14,651	38%	\$ 9,063
6-30-08	Local Education Group	245,896	37	154,360

* Data not available for two preceding years.

Funding Status and Funding Progress

The funded status of the plan as of June 30, 2008, was as follows:

	Local Government Group Plan	Local Education Group Plan
Actuarial valuation date	6-30-07	6-30-07
Actuarial accrued liability (AAL)	\$ 97,978	\$ 2,448,346
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 97,978	\$ 2,448,346
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 1,758,902	\$ 7,820,976
UAAL as a % of covered payroll	6%	31%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the June 30, 2007, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 11 percent initially, reduced by decrements to an ultimate rate of six percent after ten years. Both rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level of percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

J. Office of Central Accounting and Budgeting

Office of Director of Finance

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

K. Purchasing Law

The County Financial Management System of 1981 provides for the finance director or a deputy appointed by her to serve as the county purchasing agent. The finance director serves as the purchasing agent for Henderson County. The Henderson County Finance Committee, with the assistance of the director of finance, established a purchasing system for the county that requires the issuance of purchase orders. The Finance Committee has also established that competitive bids are required to be solicited through newspaper advertisement on all purchases estimated to exceed \$10,000.

VI. OTHER NOTES – DISCRETELY PRESENTED EMERGENCY COMMUNICATIONS DISTRICT

A. General Information

1. GASB Conformity

The financial statements included herein are prepared in conformity with generally accepted accounting principles as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement 20 – “Election of a Reporting Method” - required the Henderson County Emergency Communications District to elect either (1) all provisions of the Financial Accounting Standards Board (FASB) issued prior to 1989 for proprietary type funds, or (2) all of the provisions of the FASB regardless of the issue date for proprietary type funds. The district elected to adopt only the provisions of the FASB prior to 1989.

2. Component Unit

The district provides 911 emergency assistance to persons living in Henderson County. The district is a component unit of Henderson County. Accordingly, this financial data is incorporated into the county's financial statements. The district is governed by nine members who are appointed by the Henderson County Commission.

The County Commission pays all salaries and benefits for district personnel and furnishes the district's operating headquarters. The district reimburses the County Commission a portion of personnel salaries, which is shown as contract with government agencies expense.

B. Summary of Significant Accounting Policies

1. Basis of Accounting

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

Revenues and expenses are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

2. Capital Assets

All capital assets of the district are recorded at original cost, except for donated equipment, which is recorded at fair market value. Expenses which materially increase values or capacities, or extend useful lives of these assets are capitalized while expenses for maintenance and repairs are charged to operations as incurred.

Gains and losses from the sale of capital assets are reflected in operations, and the asset accounts and related allowances for depreciation are reduced. Also, depreciation expense on all depreciable items is systematically charged against operations using the straight-line method over their estimated useful lives. Any related interest cost is also added to the cost of the asset as appropriate.

3. Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues that are not generated from daily operations are defined as nonoperating.

4. Fund Accounting

The accounts of the district are organized on the basis of funds. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Each fund is accounted for with a separate set of self-balancing accounts that

comprise its assets, liabilities, fund equity, revenues, and expenses, as appropriate. The accounts in the financial statements in this report fall under one broad fund category as follows:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Revenues

Revenues are derived from telephone customers in the area served by the district. Each telephone company collects the fees on the monthly telephone bills (\$.65 per residence line and \$2 per business line) and remits them to the district.

D. Risk Management

All of the district's capital assets are located in or on facilities owned by Henderson County. The district owns all office and communications equipment. The district is exposed to loss of personal property by fire, accident or an act of God, as well as tort liabilities and errors and omissions. The district is insured against these risks under the Henderson County government's general insurance coverage. It is also insured against possible loss related to acts of district key officers or directors by a separate blanket fidelity bond carried by the district. The district has had no insurance settlements in excess of insurance coverage during the past three years.

E. Cash and Cash Equivalents

Cash and cash equivalents, as used in the Statement of Cash Flows, includes demand deposit accounts and certificates of deposit with original maturities of three months or less when purchased, in accordance with GASB Statement No. 9.

F. Capital Assets

Capital assets activity for the year ended June 30, 2008, was as follows:

	Balance 7-1-07	Additions	Balance 6-30-08
Capital Assets Depreciated:			
Building and Improvements	\$ 25,786	\$ 0	\$ 25,786
Furniture and Fixtures	153	0	153
Office Equipment	35,083	0	35,083
Communications Equipment	128,897	19,380	148,277
Vehicles	12,800	0	12,800
Total Capital Assets Depreciated	<u>\$ 202,719</u>	<u>\$ 19,380</u>	<u>\$ 222,099</u>
Less Accumulated Depreciation For:			
Building and Improvements	\$ (14,824)	\$ (630)	\$ (15,454)
Furniture and Fixtures	(153)	0	(153)
Office Equipment	(31,713)	(1,230)	(32,943)
Communications Equipment	(58,272)	(21,354)	(79,626)
Vehicles	(4,480)	(2,560)	(7,040)
Total Accumulated Depreciation	<u>\$ (109,442)</u>	<u>\$ (25,774)</u>	<u>\$ (135,216)</u>
Total Capital Assets, Net	<u>\$ 93,277</u>	<u>\$ (6,394)</u>	<u>\$ 86,883</u>

Depreciation expense of \$25,774 was recorded by the district.

G. Stewardship, Compliance, and Accountability

By its nature as a local government unit, the district is subject to various federal, state, and local laws and contractual regulations. An analysis of the district's compliance with significant laws and regulations and demonstration of its stewardship over the district resources follow:

1. Deposits and Investments Laws and Regulations

The district's investment policies are governed by state statute. Permissible investments include direct obligations of the U.S. government and agency securities, certificates of deposit, and savings accounts. The district has no policy that further limits allowable investments. At June 30, 2008, investments consisted entirely of certificates of deposit with original maturities greater than three months at a local bank. Investments are carried at cost, which approximates fair value.

For deposits and investments, custodial credit risk is the risk that in the event of a bank failure, the district's deposits may not be returned

to it. The district does not have a policy regarding custodial credit risk for deposits. Collateral is required for demand deposits and certificates of deposit at 105 percent of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State of Tennessee and its subdivisions. The district's deposits at year-end were not exposed to custodial credit risk due to being entirely covered by depository insurance (a combination of federal depository insurance with the excess covered by the state's bank collateral pool).

2. Budget Appropriations

In accordance with state law, the board of the district must adopt and operate under an annual budget. Criteria for the information required in the annual adopted budget are detailed in Section 7-86-120, Tennessee Code Annotated. However, for financial reporting purposes it is only necessary to present budgetary revenues and expenses compared to actual. All purchases must be made within the limits of the approved budget. Expenses must be presented at the legal level of control, which is defined to be at the line-item level.

The district's expenses were within appropriations at the line-item level.

H. Estimates and Assumptions

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

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**REQUIRED SUPPLEMENTARY
INFORMATION**

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Exhibit E-1

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Local Taxes	\$ 3,269,731	\$ 0	\$ 0	\$ 3,269,731	\$ 3,138,554	\$ 3,167,397	\$ 102,334
Licenses and Permits	1,140	0	0	1,140	1,500	1,500	(360)
Fines, Forfeitures, and Penalties	239,512	0	0	239,512	163,200	163,200	76,312
Charges for Current Services	49,800	0	0	49,800	24,000	41,680	8,120
Other Local Revenues	150,664	0	0	150,664	100,000	100,000	50,664
Fees Received from County Officials	414,725	0	0	414,725	425,000	438,000	(23,275)
State of Tennessee	481,835	0	0	481,835	300,566	387,209	94,626
Federal Government	40,972	0	0	40,972	13,600	13,600	27,372
Other Governments and Citizens Groups	337,186	0	0	337,186	349,803	349,803	(12,617)
Total Revenues	\$ 4,985,565	\$ 0	\$ 0	\$ 4,985,565	\$ 4,516,223	\$ 4,662,389	\$ 323,176
Expenditures							
General Government							
County Commission	\$ 76,887	\$ 0	\$ 0	\$ 76,887	\$ 77,049	\$ 77,049	\$ 162
Board of Equalization	1,050	0	0	1,050	1,500	1,500	450
County Mayor/Executive	112,389	0	0	112,389	112,232	117,566	5,177
County Attorney	6,174	0	0	6,174	6,218	6,218	44
Election Commission	137,776	(500)	0	137,276	148,299	149,035	11,759
Register of Deeds	151,386	0	950	152,336	141,321	155,683	3,347
County Buildings	112,841	0	2,125	114,966	129,169	119,592	4,626
Finance							
Accounting and Budgeting	258,031	(420)	400	258,011	259,764	265,268	7,257
Property Assessor's Office	165,780	0	76	165,856	179,044	175,443	9,587
Reappraisal Program	33,164	0	0	33,164	39,009	41,671	8,507
County Trustee's Office	18,003	(200)	0	17,803	21,500	21,500	3,697

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Finance (Cont.)</u>							
County Clerk's Office	\$ 27,147	\$ (26)	\$ 0	\$ 27,121	\$ 30,808	\$ 30,808	\$ 3,687
<u>Administration of Justice</u>							
Circuit Court	56,621	(1,524)	500	55,597	47,582	59,935	4,338
General Sessions Court	152,156	0	0	152,156	152,855	154,377	2,221
Chancery Court	21,208	(1,163)	207	20,252	22,200	22,200	1,948
Juvenile Court	46,206	0	0	46,206	48,034	46,946	740
<u>Public Safety</u>							
Sheriff's Department	1,292,816	(7,260)	25,060	1,310,616	1,182,238	1,352,151	41,535
Workhouse	579,392	(1,082)	1,715	580,025	415,489	592,207	12,182
Fire Prevention and Control	327,664	(132,796)	365	195,233	208,887	246,958	51,725
Civil Defense	26,030	0	0	26,030	25,586	26,838	808
Rescue Squad	15,000	0	0	15,000	15,000	15,000	0
Other Emergency Management	9,350	0	0	9,350	8,802	9,488	138
County Coroner/Medical Examiner	29,244	0	0	29,244	48,013	41,641	12,397
Other Public Safety	385,803	0	0	385,803	379,133	396,725	10,922
<u>Public Health and Welfare</u>							
Local Health Center	96,366	0	0	96,366	38,280	101,489	5,123
Alcohol and Drug Programs	0	0	0	0	8,000	8,000	8,000
Other Local Health Services	4,000	0	0	4,000	4,000	4,000	0
Appropriation to State	12,300	0	0	12,300	12,300	12,300	0
General Welfare Assistance	5,125	0	0	5,125	5,125	5,125	0
Aid to Dependent Children	0	0	0	0	700	700	700
Waste Pickup	34,128	0	0	34,128	33,066	61,889	27,761

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Social, Cultural, and Recreational Services</u>							
Adult Activities	\$ 2,807	\$ 0	\$ 0	\$ 2,807	\$ 5,808	\$ 5,808	\$ 3,001
Senior Citizens Assistance	15,500	0	0	15,500	15,500	15,500	0
Libraries	43,187	0	0	43,187	40,000	43,187	0
Other Social, Cultural, and Recreational	13,975	0	0	13,975	15,500	15,500	1,525
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	80,537	0	0	80,537	67,236	83,024	2,487
Soil Conservation	11,919	0	0	11,919	16,492	16,492	4,573
Flood Control	6,517	0	0	6,517	9,752	6,565	48
<u>Other Operations</u>							
Tourism	7,000	0	0	7,000	7,000	7,000	0
Industrial Development	7,000	0	0	7,000	7,000	7,000	0
Airport	29,481	0	0	29,481	0	29,500	19
Veterans' Services	40,203	0	0	40,203	44,071	41,898	1,695
Other Charges	215,797	0	0	215,797	250,261	247,145	31,348
Employee Benefits	91,837	0	0	91,837	96,021	95,321	3,484
Payments to Cities	18,856	0	0	18,856	20,572	20,572	1,716
Miscellaneous	85,375	0	37,239	122,614	118,792	148,046	25,432
<u>Principal on Debt</u>							
General Government	54,150	0	0	54,150	0	54,150	0
<u>Interest on Debt</u>							
General Government	14,093	0	0	14,093	0	14,093	0
<u>Total Expenditures</u>	<u>\$ 4,932,271</u>	<u>\$ (144,971)</u>	<u>\$ 68,637</u>	<u>\$ 4,855,937</u>	<u>\$ 4,515,208</u>	<u>\$ 5,170,103</u>	<u>\$ 314,166</u>
<u>Excess (Deficiency) of Revenues</u>							
<u>Over Expenditures</u>	\$ 53,294	\$ 144,971	\$ (68,637)	\$ 129,628	\$ 1,015	\$ (507,714)	\$ 637,342

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses)</u>							
Proceeds from Sale of Capital Assets	\$ 5,600	\$ 0	\$ 0	\$ 5,600	\$ 0	\$ 0	\$ 5,600
Insurance Recovery	60,086	0	0	60,086	0	51,650	8,436
Transfers In	0	0	0	0	0	92,245	(92,245)
Total Other Financing Sources (Uses)	\$ 65,686	\$ 0	\$ 0	\$ 65,686	\$ 0	\$ 143,895	\$ (78,209)
Net Change in Fund Balance	\$ 118,980	\$ 144,971	\$ (68,637)	\$ 195,314	\$ 1,015	\$ (363,819)	\$ 559,133
Fund Balance, July 1, 2007	1,038,179	(144,971)	0	893,208	374,262	374,262	518,946
Fund Balance, June 30, 2008	\$ 1,157,159	\$ 0	\$ (68,637)	\$ 1,088,522	\$ 375,277	\$ 10,443	\$ 1,078,079

Exhibit E-2

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 180,665	\$ 177,655	\$ 177,655	\$ 3,010
Other Local Revenues	10,235	0	0	10,235
State of Tennessee	2,163,458	2,317,537	2,317,537	(154,079)
Total Revenues	<u>\$ 2,354,358</u>	<u>\$ 2,495,192</u>	<u>\$ 2,495,192</u>	<u>\$ (140,834)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 113,915	\$ 118,044	\$ 118,044	\$ 4,129
Highway and Bridge Maintenance	1,119,264	1,327,512	1,327,512	208,248
Operation and Maintenance of Equipment	473,108	585,494	585,494	112,386
Other Charges	110,783	119,600	118,754	7,971
Employee Benefits	22,090	27,200	28,046	5,956
Capital Outlay	486,814	717,342	787,915	301,101
<u>Principal on Debt</u>				
Highways and Streets	9,996	0	9,996	0
<u>Interest on Debt</u>				
Highways and Streets	2,406	0	2,406	0
Total Expenditures	<u>\$ 2,338,376</u>	<u>\$ 2,895,192</u>	<u>\$ 2,978,167</u>	<u>\$ 639,791</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 15,982</u>	<u>\$ (400,000)</u>	<u>\$ (482,975)</u>	<u>\$ 498,957</u>
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 82,975	0	\$ 82,975	0
Insurance Recovery	8,824	0	0	8,824
Total Other Financing Sources (Uses)	<u>\$ 91,799</u>	<u>\$ 0</u>	<u>\$ 82,975</u>	<u>\$ 8,824</u>
Net Change in Fund Balance	\$ 107,781	\$ (400,000)	\$ (400,000)	\$ 507,781
Fund Balance, July 1, 2007	575,611	419,370	419,370	156,241
Fund Balance, June 30, 2008	<u>\$ 683,392</u>	<u>\$ 19,370</u>	<u>\$ 19,370</u>	<u>\$ 664,022</u>

Exhibit E-3

Henderson County, Tennessee
Schedule of Funding Progress – Pension Plan
June 30, 2008

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-07	\$ 928	\$ 1,034	\$ 106	89.75 %	\$ 594	17.85 %
6-30-07	3,435	4,298	863	79.92	4,588	18.81

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method was a change made during the year; therefore, only the most current year is presented.

Exhibit E-4

Henderson County, Tennessee
Schedule of Funding Progress - Other Postemployment Benefits Plans
Primary Government and the Discretely Presented Henderson County School Department
June 30, 2008

(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)
Local Government Group Plan 6-30-07	\$ 0	\$ 98	\$ 98	0%	\$ 1,759	6%
Local Education Group Plan 6-30-07	0	2,448	2,448	0	7,821	31

*Data not available for two preceding years.

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HENDERSON COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2008

BUDGETARY INFORMATION

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

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

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

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

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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 Henderson County’s garbage collection operations.

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

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

Capital Projects Fund

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

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

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Exhibit F-1

Henderson County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2008

	Special Revenue Funds			Total	Capital Projects Fund		Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees		General Capital Projects		
\$	0 \$	0 \$	742,613 \$	742,613 \$	0 \$	0 \$	742,613
	210,716	90,304	0	301,020	251,500		552,520
	155	6,392	33,826	40,373	0		40,373
	292,773	0	0	292,773	0		292,773
	(5,951)	0	0	(5,951)	0		(5,951)
\$	497,693 \$	96,696 \$	776,439 \$	1,370,828 \$	251,500 \$		1,622,328

ASSETS

Cash
 Equity in Pooled Cash and Investments
 Accounts Receivable
 Property Taxes Receivable
 Allowance for Uncollectible Property Taxes
 Total Assets

LIABILITIES AND FUND BALANCES

Liabilities
 Due to Other Funds
 Deferred Revenue - Current Property Taxes
 Deferred Revenue - Delinquent Property Taxes
 Total Liabilities

Fund Balances

Reserved for Encumbrances
 Unreserved
 Total Fund Balances
 Total Liabilities and Fund Balances

\$	0 \$	0 \$	223 \$	223 \$	0 \$	0 \$	223
	272,081	0	0	272,081	0		272,081
	13,374	0	0	13,374	0		13,374
\$	285,455 \$	0 \$	223 \$	285,678 \$	0 \$		285,678
\$	0 \$	768 \$	0 \$	768 \$	0 \$		768
	212,238	95,928	776,216	1,084,382	251,500		1,335,882
\$	212,238 \$	96,696 \$	776,216 \$	1,085,150 \$	251,500 \$		1,336,650
\$	497,693 \$	96,696 \$	776,439 \$	1,370,828 \$	251,500 \$		1,622,328

Henderson County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	Special Revenue Funds				Total	Capital Projects Fund		Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees			General Capital Projects		
<u>Revenues</u>								
Local Taxes	\$ 325,207	\$ 0	\$ 0	\$ 325,207	\$ 0	\$ 325,207		
Fines, Forfeitures, and Penalties	0	93,616	0	93,616	0	93,616		
Charges for Current Services	0	0	983,488	983,488	0	983,488		
Other Local Revenues	34,218	0	0	34,218	0	34,218		
State of Tennessee	8,810	3,065	0	11,875	0	11,875		
Total Revenues	\$ 368,235	\$ 96,681	\$ 983,488	\$ 1,448,404	\$ 0	\$ 1,448,404		
<u>Expenditures</u>								
Current:								
Finance	\$ 0	\$ 0	\$ 369,663	\$ 369,663	\$ 0	\$ 369,663		
Administration of Justice	0	0	516,364	516,364	0	516,364		
Public Safety	0	96,331	0	96,331	0	96,331		
Public Health and Welfare	380,468	0	0	380,468	0	380,468		
Capital Projects	0	0	0	0	388,500	388,500		
Total Expenditures	\$ 380,468	\$ 96,331	\$ 886,027	\$ 1,362,826	\$ 388,500	\$ 1,751,326		
Excess (Deficiency) of Revenues Over Expenditures	\$ (12,233)	\$ 350	\$ 97,461	\$ 85,578	\$ (388,500)	\$ (302,922)		
<u>Other Financing Sources (Uses)</u>								
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 40,000	\$ 40,000		
Transfers In	0	0	0	0	600,000	600,000		
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 640,000	\$ 640,000		
Net Change in Fund Balances	\$ (12,233)	\$ 350	\$ 97,461	\$ 85,578	\$ 251,500	\$ 337,078		
Fund Balance, July 1, 2007	224,471	96,346	678,755	999,572	0	999,572		
Fund Balance, June 30, 2008	\$ 212,238	\$ 96,696	\$ 776,216	\$ 1,085,150	\$ 251,500	\$ 1,336,650		

Exhibit F-3

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 325,207	\$ 312,639	\$ 312,639	\$ 12,568
Other Local Revenues	34,218	10,000	10,000	24,218
State of Tennessee	8,810	0	8,810	0
Total Revenues	<u>\$ 368,235</u>	<u>\$ 322,639</u>	<u>\$ 331,449</u>	<u>\$ 36,786</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Education/Information	\$ 380,468	\$ 384,128	\$ 409,530	\$ 29,062
Total Expenditures	<u>\$ 380,468</u>	<u>\$ 384,128</u>	<u>\$ 409,530</u>	<u>\$ 29,062</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (12,233)</u>	<u>\$ (61,489)</u>	<u>\$ (78,081)</u>	<u>\$ 65,848</u>
Net Change in Fund Balance	\$ (12,233)	\$ (61,489)	\$ (78,081)	\$ 65,848
Fund Balance, July 1, 2007	<u>224,471</u>	<u>214,869</u>	<u>214,869</u>	<u>9,602</u>
Fund Balance, June 30, 2008	<u>\$ 212,238</u>	<u>\$ 153,380</u>	<u>\$ 136,788</u>	<u>\$ 75,450</u>

Exhibit F-4

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Drug Control Fund
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Fines, Forfeitures, and Penalties	\$ 93,616 \$	0 \$	0 \$	93,616 \$	91,000 \$	91,000 \$	2,616
State of Tennessee	3,065	0	0	3,065	0	0	3,065
Total Revenues	\$ 96,681 \$	0 \$	0 \$	96,681 \$	91,000 \$	91,000 \$	5,681
<u>Expenditures</u>							
Public Safety							
Drug Enforcement	\$ 96,331 \$	(3,145) \$	768 \$	93,954 \$	90,100 \$	102,351 \$	8,397
Total Expenditures	\$ 96,331 \$	(3,145) \$	768 \$	93,954 \$	90,100 \$	102,351 \$	8,397
Excess (Deficiency) of Revenues Over Expenditures	\$ 350 \$	3,145 \$	(768) \$	2,727 \$	900 \$	(11,351) \$	14,078
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ 350 \$	3,145 \$	(768) \$	2,727 \$	900 \$	(11,351) \$	14,078
	96,346	(3,145)	0	93,201	92,924	92,924	277
Fund Balance, June 30, 2008	\$ 96,696 \$	0 \$	(768) \$	95,928 \$	93,824 \$	81,573 \$	14,355

Major Governmental Funds

Debt Service Funds

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

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

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

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Exhibit G-1

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,728,497	\$ 1,643,408	\$ 1,643,408	\$ 85,089
Other Local Revenues	173,767	70,000	70,000	103,767
Total Revenues	\$ 1,902,264	\$ 1,713,408	\$ 1,713,408	\$ 188,856
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 597,553	\$ 446,703	\$ 650,699	\$ 53,146
Education	880,850	1,135,850	884,231	3,381
<u>Interest on Debt</u>				
General Government	45,150	42,683	60,711	15,561
Education	719,599	737,630	719,063	(536)
<u>Other Debt Service</u>				
General Government	37,360	0	46,543	9,183
Education	1,619	0	1,619	0
Total Expenditures	\$ 2,282,131	\$ 2,362,866	\$ 2,362,866	\$ 80,735
Excess (Deficiency) of Revenues Over Expenditures	\$ (379,867)	\$ (649,458)	\$ (649,458)	\$ 269,591
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (600,000)	\$ 0	\$ (600,000)	\$ 0
Total Other Financing Sources (Uses)	\$ (600,000)	\$ 0	\$ (600,000)	\$ 0
Net Change in Fund Balance	\$ (979,867)	\$ (649,458)	\$ (1,249,458)	\$ 269,591
Fund Balance, July 1, 2007	3,311,018	3,286,784	3,286,784	24,234
Fund Balance, June 30, 2008	\$ 2,331,151	\$ 2,637,326	\$ 2,037,326	\$ 293,825

Exhibit G-2

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Rural Debt Service Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 539,082	\$ 400,000	\$ 400,000	\$ 139,082
Other Local Revenues	33,746	3,000	3,000	30,746
Other Governments and Citizens Groups	287,708	290,000	290,000	(2,292)
Total Revenues	<u>\$ 860,536</u>	<u>\$ 693,000</u>	<u>\$ 693,000</u>	<u>\$ 167,536</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 455,000	\$ 462,000	\$ 456,248	\$ 1,248
<u>Interest on Debt</u>				
Education	247,332	248,333	247,493	161
<u>Other Debt Service</u>				
Education	6,592	0	6,592	0
Total Expenditures	<u>\$ 708,924</u>	<u>\$ 710,333</u>	<u>\$ 710,333</u>	<u>\$ 1,409</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 151,612</u>	<u>\$ (17,333)</u>	<u>\$ (17,333)</u>	<u>\$ 168,945</u>
Net Change in Fund Balance	\$ 151,612	\$ (17,333)	\$ (17,333)	\$ 168,945
Fund Balance, July 1, 2007	<u>1,092,659</u>	<u>1,044,676</u>	<u>1,044,676</u>	<u>47,983</u>
Fund Balance, June 30, 2008	<u>\$ 1,244,271</u>	<u>\$ 1,027,343</u>	<u>\$ 1,027,343</u>	<u>\$ 216,928</u>

Fiduciary Funds

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

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

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

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

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Exhibit H-1

Henderson County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2008

	Agency Funds			Total
	Cities - Sales Tax	City School ADA - Lexington	Constitu- tional Officers - Agency	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 97,756	\$ 0	\$ 97,756
Cash	0	0	1,483,399	1,483,399
Accounts Receivable	0	186	2,137	2,323
Due from Other Governments	506,713	150,049	0	656,762
Taxes Receivable	0	516,496	0	516,496
Allowance for Uncollectible Taxes	0	(10,498)	0	(10,498)
Total Assets	<u>\$ 506,713</u>	<u>\$ 753,989</u>	<u>\$ 1,485,536</u>	<u>\$ 2,746,238</u>
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 506,713	\$ 753,989	\$ 0	\$ 1,260,702
Due to Litigants, Heirs, and Others	0	0	1,485,536	1,485,536
Total Liabilities	<u>\$ 506,713</u>	<u>\$ 753,989</u>	<u>\$ 1,485,536</u>	<u>\$ 2,746,238</u>

Exhibit H-2

Henderson County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2008

	Beginning Balance	Additions	Deductions	Ending Balance
Cities - Sales Tax Fund				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 2,834,237	\$ 2,834,237	\$ 0
Due from Other Governments	489,538	506,713	489,538	506,713
Total Assets	\$ 489,538	\$ 3,340,950	\$ 3,323,775	\$ 506,713
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 489,538	\$ 3,340,950	\$ 3,323,775	\$ 506,713
Total Liabilities	\$ 489,538	\$ 3,340,950	\$ 3,323,775	\$ 506,713
City School ADA - Lexington Fund				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 89,506	\$ 1,514,632	\$ 1,506,382	\$ 97,756
Accounts Receivable	147	186	147	186
Due from Other Governments	131,727	150,049	131,727	150,049
Taxes Receivable	484,233	516,496	484,233	516,496
Allowance for Uncollectible Taxes	(11,262)	(10,498)	(11,262)	(10,498)
Total Assets	\$ 694,351	\$ 2,170,865	\$ 2,111,227	\$ 753,989
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 694,351	\$ 2,170,865	\$ 2,111,227	\$ 753,989
Total Liabilities	\$ 694,351	\$ 2,170,865	\$ 2,111,227	\$ 753,989
Constitutional Officers - Agency Fund				
<u>Assets</u>				
Cash	\$ 2,035,464	\$ 6,086,760	\$ 6,638,825	\$ 1,483,399
Accounts Receivable	0	2,137	0	2,137
Total Assets	\$ 2,035,464	\$ 6,088,897	\$ 6,638,825	\$ 1,485,536
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 2,035,464	\$ 6,088,897	\$ 6,638,825	\$ 1,485,536
Total Liabilities	\$ 2,035,464	\$ 6,088,897	\$ 6,638,825	\$ 1,485,536
Totals - All Agency Funds				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 89,506	\$ 4,348,869	\$ 4,340,619	\$ 97,756
Cash	2,035,464	6,086,760	6,638,825	1,483,399
Accounts Receivable	147	2,323	147	2,323
Due from Other Governments	621,265	656,762	621,265	656,762
Taxes Receivable	484,233	516,496	484,233	516,496
Allowance for Uncollectible Taxes	(11,262)	(10,498)	(11,262)	(10,498)
Total Assets	\$ 3,219,353	\$ 11,600,712	\$ 12,073,827	\$ 2,746,238
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,183,889	\$ 5,511,815	\$ 5,435,002	\$ 1,260,702
Due to Litigants, Heirs, and Others	2,035,464	6,088,897	6,638,825	1,485,536
Total Liabilities	\$ 3,219,353	\$ 11,600,712	\$ 12,073,827	\$ 2,746,238

Henderson County School Department

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

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

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

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

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

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Exhibit I-1

Henderson County, Tennessee
Statement of Activities
Discretely Presented Henderson County School Department
For the Year Ended June 30, 2008

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 16,099,983	\$ 7,793	\$ 1,786,012	\$ (14,306,178)
Support Services	7,223,173	107,665	251,784	(6,863,724)
Operation of Non-Instructional Services	1,810,100	0	1,538,361	(271,739)
Interest on Long-term Debt	1,600	0	0	(1,600)
Other Debt Service	287,708	0	0	(287,708)
Total Governmental Activities	\$ 25,422,564	\$ 115,458	\$ 3,576,157	\$ (21,730,949)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 2,711,425
Local Option Sales Taxes				2,285,289
Other Local Taxes				366,141
Grants and Contributions Not Restricted to Specific Programs				16,382,938
Miscellaneous				68,578
Total General Revenues				\$ 21,814,371
Change in Net Assets				\$ 83,422
Net Assets, July 1, 2007				22,170,146
Net Assets, June 30, 2008				<u>\$ 22,253,568</u>

Exhibit I-2

Henderson County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Henderson County School Department
June 30, 2008

	Major Funds		Nonmajor	Total
	General	School	Fund	
	Purpose	Transpor -	School	Governmental
	School	tation	Projects	Funds
ASSETS				
Equity in Pooled Cash and Investments	\$ 2,303,385	\$ 104,432	\$ 3,445	\$ 2,411,262
Accounts Receivable	616	431	0	1,047
Due from Other Governments	652,389	0	310,412	962,801
Property Taxes Receivable	1,695,574	813,260	0	2,508,834
Allowance for Uncollectible Property Taxes	(34,465)	(16,531)	0	(50,996)
Total Assets	\$ 4,617,499	\$ 901,592	\$ 313,857	\$ 5,832,948
LIABILITIES AND FUND BALANCES				
<u>Liabilities</u>				
Accounts Payable	\$ 0	\$ 0	\$ 20,642	\$ 20,642
Accrued Payroll	0	0	108,361	108,361
Payroll Deductions Payable	47	0	0	47
Deferred Revenue - Current Property Taxes	1,575,734	755,780	0	2,331,514
Deferred Revenue - Delinquent Property Taxes	77,444	37,147	0	114,591
Other Deferred Revenues	207,313	0	0	207,313
Total Liabilities	\$ 1,860,538	\$ 792,927	\$ 129,003	\$ 2,782,468
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 868,406	\$ 10,557	\$ 8,994	\$ 887,957
Reserved for Career Ladder - Extended Contract	78,834	0	0	78,834
Reserved for Career Ladder Program	15,512	0	0	15,512
Reserved for Title I Grants to Local Education Agencies	0	0	80,835	80,835
Reserved for Innovative Education Program Strategies	0	0	53,334	53,334
Reserved for Special Education - Grants to States	0	0	41,527	41,527
Other Federal Reserves	0	0	164	164
Unreserved, Reported In:				
General Fund	1,794,209	0	0	1,794,209
Special Revenue Funds	0	98,108	0	98,108
Total Fund Balances	\$ 2,756,961	\$ 108,665	\$ 184,854	\$ 3,050,480
Total Liabilities and Fund Balances	\$ 4,617,499	\$ 901,592	\$ 313,857	\$ 5,832,948

Exhibit I-3

Henderson County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
Discretely Presented Henderson County School Department
June 30, 2008

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)		\$ 3,050,480
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 679,161	
Add: buildings and improvements net of accumulated depreciation	17,891,435	
Add: other capital assets net of accumulated depreciation	<u>506,549</u>	19,077,145
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: notes payable	\$ (40,000)	
Less: accrued interest on notes	(1,601)	
Less: other postemployment benefits	<u>(154,360)</u>	(195,961)
(3) Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the governmental funds.		<u>321,904</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 22,253,568</u>

Exhibit I-4

Henderson County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Henderson County School Department
For the Year Ended June 30, 2008

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General Purpose School	School Transpor - tation	Other Govern- mental Funds	
<u>Revenues</u>				
Local Taxes	\$ 4,524,873	\$ 903,434	\$ 0	\$ 5,428,307
Licenses and Permits	2,357	0	0	2,357
Charges for Current Services	108,250	0	0	108,250
Other Local Revenues	85,210	11,350	0	96,560
State of Tennessee	16,602,629	0	77,658	16,680,287
Federal Government	1,162,811	0	1,851,568	3,014,379
Other Governments and Citizens Groups	0	40,000	71,897	111,897
Total Revenues	<u>\$ 22,486,130</u>	<u>\$ 954,784</u>	<u>\$ 2,001,123</u>	<u>\$ 25,442,037</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 13,163,686	\$ 0	\$ 1,449,410	\$ 14,613,096
Support Services	5,976,908	973,532	449,919	7,400,359
Operation of Non-Instructional Services	1,573,362	0	0	1,573,362
Capital Outlay	499,530	0	0	499,530
Debt Service:				
Other Debt Service	287,708	0	0	287,708
Capital Projects	0	0	19,303	19,303
Total Expenditures	<u>\$ 21,501,194</u>	<u>\$ 973,532</u>	<u>\$ 1,918,632</u>	<u>\$ 24,393,358</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 984,936</u>	<u>\$ (18,748)</u>	<u>\$ 82,491</u>	<u>\$ 1,048,679</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 16,113	\$ 0	\$ 0	\$ 16,113
Transfers In	8,766	0	0	8,766
Transfers Out	0	0	(8,766)	(8,766)
Total Other Financing Sources (Uses)	<u>\$ 24,879</u>	<u>\$ 0</u>	<u>\$ (8,766)</u>	<u>\$ 16,113</u>
Net Change in Fund Balances	\$ 1,009,815	\$ (18,748)	\$ 73,725	\$ 1,064,792
Fund Balance, July 1, 2007	<u>1,747,146</u>	<u>127,413</u>	<u>111,129</u>	<u>1,985,688</u>
Fund Balance, June 30, 2008	<u>\$ 2,756,961</u>	<u>\$ 108,665</u>	<u>\$ 184,854</u>	<u>\$ 3,050,480</u>

Exhibit I-5

Henderson County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Henderson County School Department
For the Year Ended June 30, 2008

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)		\$ 1,064,792
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 583,184	
Less: current year depreciation expense	<u>(1,351,868)</u>	(768,684)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Less: net book value of assets disposed		(31,193)
(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, 2008	\$ 321,904	
Less: deferred delinquent property taxes and other deferred June 30, 2007	<u>(307,436)</u>	14,468
(4) The issuance of long-term debt (e.g., notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		
Less: note proceeds contributed from primary government		(40,000)
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest on notes	\$ (1,601)	
Change in other postemployment benefits	<u>(154,360)</u>	<u>(155,961)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 83,422</u>

Exhibit I-6

Henderson County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Henderson County School Department
For the Year Ended June 30, 2008

	Special Revenue Fund <u>School Federal Projects</u>	Capital Projects Fund <u>Education Capital Projects</u>	Total Nonmajor Governmental Funds
<u>Revenues</u>			
State of Tennessee	\$ 77,658	\$ 0	\$ 77,658
Federal Government	1,851,568	0	1,851,568
Other Governments and Citizens Groups	71,897	0	71,897
Total Revenues	<u>\$ 2,001,123</u>	<u>\$ 0</u>	<u>\$ 2,001,123</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,449,410	\$ 0	\$ 1,449,410
Support Services	449,919	0	449,919
Capital Projects	0	19,303	19,303
Total Expenditures	<u>\$ 1,899,329</u>	<u>\$ 19,303</u>	<u>\$ 1,918,632</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 101,794</u>	<u>\$ (19,303)</u>	<u>\$ 82,491</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (8,766)	\$ 0	\$ (8,766)
Total Other Financing Sources (Uses)	<u>\$ (8,766)</u>	<u>\$ 0</u>	<u>\$ (8,766)</u>
Net Change in Fund Balances	\$ 93,028	\$ (19,303)	\$ 73,725
Fund Balance, July 1, 2007	91,826	19,303	111,129
Fund Balance, June 30, 2008	<u>\$ 184,854</u>	<u>\$ 0</u>	<u>\$ 184,854</u>

Exhibit I-7

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Henderson County School Department
General Purpose School Fund
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Local Taxes	\$ 4,524,873	\$ 0	\$ 0	\$ 4,524,873	\$ 4,409,514	\$ 4,409,514	\$ 115,359
Licenses and Permits	2,357	0	0	2,357	2,100	2,100	257
Charges for Current Services	108,250	0	0	108,250	120,000	120,000	(11,750)
Other Local Revenues	85,210	0	0	85,210	16,404	43,258	41,952
State of Tennessee	16,602,629	0	0	16,602,629	15,915,028	16,519,172	83,457
Federal Government	1,162,811	0	0	1,162,811	1,009,909	1,164,027	(1,216)
Total Revenues	\$ 22,486,130	\$ 0	\$ 0	\$ 22,486,130	\$ 21,472,955	\$ 22,258,071	\$ 228,059
Expenditures							
Instruction							
Regular Instruction Program	\$ 10,336,910	(8,148)	635,527	\$ 10,964,289	\$ 11,118,755	\$ 11,104,230	\$ 139,941
Alternative Instruction Program	52,839	0	0	52,839	53,987	53,987	1,148
Special Education Program	1,756,099	(13,701)	11,861	1,754,259	1,772,817	1,757,623	3,364
Vocational Education Program	976,773	(2,447)	4,510	978,836	1,134,659	997,074	18,238
Student Body Education Program	0	0	0	0	142,000	0	0
Adult Education Program	41,065	0	1,095	42,160	69,570	43,165	1,005
Support Services							
Attendance	77,236	0	0	77,236	67,224	82,363	5,127
Health Services	238,389	0	0	238,389	265,981	241,981	3,592
Other Student Support	581,842	0	0	581,842	524,657	605,178	23,336
Regular Instruction Program	827,121	(909)	10,889	837,101	865,355	851,954	14,853
Alternative Instruction Program	68,612	(500)	0	68,112	64,954	69,754	1,642
Special Education Program	273,434	(8,818)	18,398	283,014	271,697	284,780	1,766
Vocational Education Program	89,353	(689)	0	88,664	81,983	88,755	91

(Continued)

Exhibit I-7

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Adult Programs	\$ 69,459	\$ 0	\$ 0	\$ 69,459	\$ 67,866	\$ 72,744	\$ 3,285
Other Programs	112,023	0	0	112,023	0	112,023	0
Board of Education	348,175	0	0	348,175	378,092	377,128	28,953
Director of Schools	140,694	(950)	0	139,744	148,047	148,047	8,303
Office of the Principal	1,007,942	0	0	1,007,942	1,010,709	1,039,591	31,649
Fiscal Services	82,787	0	0	82,787	95,070	95,070	12,283
Operation of Plant	1,641,736	0	9,102	1,650,838	1,609,946	1,676,291	25,453
Maintenance of Plant	385,594	(26,780)	25,045	383,859	283,543	400,808	16,949
Transportation	25,988	0	0	25,988	8,600	28,193	2,205
Central and Other	6,523	0	0	6,523	7,460	7,460	937
<u>Operation of Non-Instructional Services</u>							
Food Service	1,159,608	0	0	1,159,608	1,039,983	1,176,951	17,343
Early Childhood Education	413,754	0	30,847	444,601	0	461,911	17,310
<u>Capital Outlay</u>							
Regular Capital Outlay	499,530	(457,624)	121,132	163,038	100,000	164,000	962
Principal on Debt	0	0	0	0	290,000	0	0
Education							
<u>Other Debt Service</u>							
Education	287,708	0	0	287,708	0	290,000	2,292
<u>Total Expenditures</u>	<u>\$ 21,501,194</u>	<u>\$ (520,566)</u>	<u>\$ 868,406</u>	<u>\$ 21,849,034</u>	<u>\$ 21,472,955</u>	<u>\$ 22,231,061</u>	<u>\$ 382,027</u>
<u>Excess (Deficiency) of Revenues</u> <u>Over Expenditures</u>	<u>\$ 984,936</u>	<u>\$ 520,566</u>	<u>\$ (868,406)</u>	<u>\$ 637,096</u>	<u>\$ 0</u>	<u>\$ 27,010</u>	<u>\$ 610,086</u>

(Continued)

Exhibit I-7

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 16,113	\$ 0	\$ 0	\$ 16,113	\$ 0	\$ 0	\$ 16,113
Transfers In	8,766	0	0	8,766	0	0	8,766
Total Other Financing Sources (Uses)	\$ 24,879	\$ 0	\$ 0	\$ 24,879	\$ 0	\$ 0	\$ 24,879
Net Change in Fund Balance	\$ 1,009,815	\$ 520,566	\$ (868,406)	\$ 661,975	\$ 0	\$ 27,010	\$ 634,965
Fund Balance, July 1, 2007	1,747,146	(520,566)	0	1,226,580	900,000	900,000	326,580
Fund Balance, June 30, 2008	\$ 2,756,961	\$ 0	\$ (868,406)	\$ 1,888,555	\$ 900,000	\$ 927,010	\$ 961,545

Exhibit I-8

Henderson County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 Discretely Presented Henderson County School Department
 School Federal Projects Fund
 For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
State of Tennessee	\$ 77,658	\$ 0	\$ 0	\$ 77,658	\$ 64,667	\$ 78,219	\$ (561)
Federal Government	1,851,568	0	0	1,851,568	1,152,477	1,916,895	(65,327)
Other Governments and Citizens Groups	71,897	0	0	71,897	76,647	76,647	(4,750)
Total Revenues	\$ 2,001,123	\$ 0	\$ 0	\$ 2,001,123	\$ 1,293,791	\$ 2,071,761	\$ (70,638)
Expenditures							
Instruction							
Regular Instruction Program	\$ 702,306	(17,000)	45	\$ 685,351	\$ 217,926	\$ 804,814	\$ 119,463
Special Education Program	563,451	(838)	0	562,613	800,904	625,724	63,111
Vocational Education Program	137,205	(12,399)	0	124,806	120,991	124,813	7
Adult Education Program	46,448	(5,450)	4,274	45,272	46,896	46,895	1,623
Support Services							
Health Services	72,885	0	4,436	77,321	64,667	78,219	898
Other Student Support	28,324	(2,388)	0	25,936	15,281	29,411	3,475
Regular Instruction Program	143,278	(240)	200	143,238	38,183	187,164	43,926
Special Education Program	42,548	0	0	42,548	45,186	45,186	2,638
Adult Programs	297	0	0	297	1,104	1,104	807
Transportation	162,587	0	39	162,626	0	175,180	12,554
Total Expenditures	\$ 1,899,329	\$ (38,315)	\$ 8,994	\$ 1,870,008	\$ 1,351,138	\$ 2,118,510	\$ 248,502
Excess (Deficiency) of Revenues Over Expenditures	\$ 101,794	\$ 38,315	\$ (8,994)	\$ 131,115	\$ (57,347)	\$ (46,749)	\$ 177,864
Other Financing Sources (Uses)							
Transfers Out	\$ (8,766)	\$ 0	\$ 0	(8,766)	(9,282)	(19,877)	11,111
Total Other Financing Sources (Uses)	\$ (8,766)	\$ 0	\$ 0	\$ (8,766)	\$ (9,282)	\$ (19,877)	\$ 11,111
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ 93,028	\$ 38,315	\$ (8,994)	\$ 122,349	\$ (66,629)	\$ (66,626)	\$ 188,975
	91,826	(38,315)	0	53,511	91,826	91,826	(38,315)
Fund Balance, June 30, 2008	\$ 184,854	\$ 0	\$ (8,994)	\$ 175,860	\$ 25,197	\$ 25,200	\$ 150,660

Exhibit I-9

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Henderson County School Department
School Transportation Fund
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 903,434	\$ 0	\$ 0	\$ 903,434	\$ 890,275	\$ 890,275	\$ 13,159
Other Local Revenues	11,350	0	0	11,350	0	0	11,350
Other Governments and Citizens Groups	40,000	0	0	40,000	0	40,000	0
Total Revenues	\$ 954,784	\$ 0	\$ 0	\$ 954,784	\$ 890,275	\$ 930,275	\$ 24,509
<u>Expenditures</u>							
Support Services							
Board of Education	\$ 17,716	\$ 0	\$ 0	\$ 17,716	\$ 25,000	\$ 25,000	\$ 7,284
Transportation	955,816	(12,000)	10,557	954,373	865,275	972,041	17,668
Total Expenditures	\$ 973,532	\$ (12,000)	\$ 10,557	\$ 972,089	\$ 890,275	\$ 997,041	\$ 24,952
Excess (Deficiency) of Revenues Over Expenditures	\$ (18,748)	\$ 12,000	\$ (10,557)	\$ (17,305)	\$ 0	\$ (66,766)	\$ 49,461
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ (18,748)	\$ 12,000	\$ (10,557)	\$ (17,305)	\$ 0	\$ (66,766)	\$ 49,461
	127,413	(12,000)	0	115,413	111,000	111,000	4,413
Fund Balance, June 30, 2008	\$ 108,665	\$ 0	\$ (10,557)	\$ 98,108	\$ 111,000	\$ 44,234	\$ 53,874

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MISCELLANEOUS SCHEDULES

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Exhibit J-1

Henderson County, Tennessee
 Schedule of Changes in Long-term Notes, Capital Leases, and Bonds
 Primary Government and Discretely Presented Henderson County School Department
 For the Year Ended June 30, 2008

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-07	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-08
PRIMARY GOVERNMENT								
NOTES PAYABLE								
Payable through General Fund								
Refunding Capital Outlay Note, Series 2005C	\$ 435,000	3.45 to 3.95 %	6-30-05	4-1-13	\$ 373,350	\$ 0	\$ 54,150	\$ 319,200
Total Payable through General Fund					\$ 373,350	\$ 0	\$ 54,150	\$ 319,200
Payable through General Debt Service Fund								
School Capital Outlay Note, Series 2002B	640,000	2.45 to 4.5	12-19-02	4-1-14	\$ 435,000	\$ 0	\$ 55,000	\$ 380,000
Capital Outlay Note, Series 2003	625,000	2 to 3.25	9-25-03	4-1-08	125,000	0	125,000	0
Capital Outlay Note, Series 2005	272,158	3.69 to 4.19	3-23-05	3-1-08	90,720	0	90,720	0
Capital Outlay Note, Series 2005A	800,000	3.45 to 4	6-30-05	4-1-17	750,000	0	60,000	690,000
Refunding Capital Outlay Note, Series 2005B	855,000	3.2 to 3.55	6-30-05	4-1-09	525,000	0	250,000	275,000
Refunding Capital Outlay Note, Series 2005C	330,000	3.45 to 3.95	6-30-05	4-1-13	281,650	0	40,850	240,800
Capital Outlay Note, Series 2005D	245,500	3.52	11-2-05	11-1-08	163,666	0	81,833	81,833
Capital Outlay Note, Series 2006A	150,000	4.25	8-30-06	8-30-09	150,000	0	50,000	100,000
Total Payable through General Debt Service Fund					\$ 2,521,036	\$ 0	\$ 753,403	\$ 1,767,633
Total Notes Payable					\$ 2,894,386	\$ 0	\$ 807,553	\$ 2,086,833
CAPITAL LEASE								
Payable through Highway/Public Works Funds								
Excavator	82,975	4.59	11-7-07	10-15-12	\$ 0	\$ 82,975	\$ 9,996	\$ 72,979
Total Capital Lease					\$ 0	\$ 82,975	\$ 9,996	\$ 72,979

(Continued)

Exhibit J-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-07	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-08
PRIMARY GOVERNMENT (CONT.)								
BONDS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
High School Bonds	\$ 3,000,000	4.7 to 5.375 %	2-1-00	4-1-11	\$ 250,000	\$ 0	\$ 50,000	\$ 200,000
High School Refunding Bonds, Series 2001	8,150,000	3.5 to 5	10-11-01	4-1-17	8,015,000	0	540,000	7,475,000
School Bonds, Series 2001	1,215,000	3.85 to 6	10-25-01	4-1-16	865,000	0	80,000	785,000
School Bonds, Series 2004	3,850,000	2 to 4.25	2-1-04	4-1-24	3,775,000	0	25,000	3,750,000
High School Refunding Bonds, Series 2004	2,840,000	2 to 3.875	4-1-04	4-1-20	2,755,000	0	30,000	2,725,000
Total Payable through General Debt Service Fund					\$ 15,660,000	\$ 0	\$ 725,000	\$ 14,935,000
<u>Payable through Rural Debt Service Fund</u>								
Rural School Bonds, Series 1997	3,560,000	4.8 to 5	6-1-1997	4-1-09	\$ 370,000	\$ 0	\$ 180,000	\$ 190,000
Rural School Bonds, Series 1997A	4,775,000	3.9 to 5.1	9-1-1997	4-1-16	3,300,000	0	250,000	3,050,000
Rural School Refunding Bonds, Series 2004	2,140,000	2 to 3.6	4-1-04	4-1-17	2,065,000	0	25,000	2,040,000
Total Payable through Rural Debt Service Fund					\$ 5,735,000	\$ 0	\$ 455,000	\$ 5,280,000
Total Bonds Payable					\$ 21,395,000	\$ 0	\$ 1,180,000	\$ 20,215,000
DISCRETELY PRESENTED HENDERSON COUNTY SCHOOL DEPARTMENT								
NOTES PAYABLE								
<u>Payable through School Transportation Fund</u>								
School CON, Series 2002B	40,000	4.8	8-30-07	8-30-10	\$ 0	\$ 40,000	\$ 0	\$ 40,000
Total Notes Payable					\$ 0	\$ 40,000	\$ 0	\$ 40,000

Exhibit J-2

Henderson County, Tennessee

Schedule of Long-term Debt Requirements by Year

Primary Government and Discretely Presented Henderson County School Department

PRIMARY GOVERNMENT

Year Ending June 30	Note Principal	Note Interest	Total Note Requirements
2009	\$ 631,833	\$ 81,472	\$ 713,305
2010	280,000	55,818	335,818
2011	240,000	47,097	287,097
2012	260,000	37,768	297,768
2013	265,000	27,497	292,497
2014	150,000	16,750	166,750
2015	85,000	10,400	95,400
2016	85,000	7,000	92,000
2017	90,000	3,600	93,600
Total	\$ 2,086,833	\$ 287,402	\$ 2,374,235

Year Ending June 30	Capital Lease Principal	Capital Lease Interest	Total Capital Lease Requirements
2009	\$ 15,579	\$ 3,025	\$ 18,604
2010	16,309	2,294	18,603
2011	17,074	1,530	18,604
2012	17,874	729	18,603
2013	6,143	59	6,202
Total	\$ 72,979	\$ 7,637	\$ 80,616

Year Ending June 30	Bond Principal	Bond Interest	Total Bond Requirements
2009	\$ 1,280,000	\$ 856,287	\$ 2,136,287
2010	1,550,000	802,619	2,352,619
2011	1,700,000	736,895	2,436,895
2012	1,820,000	669,325	2,489,325

(Continued)

Exhibit J-2

Henderson County, Tennessee
Schedule of Long-term Debt Requirements by Year
Primary Government and Discretely Presented Henderson County School Department (Cont.)

PRIMARY GOVERNMENT (Cont.)

Year Ending June 30	Bond Principal	Bond Interest	Total Bond Requirements
2013	\$ 1,930,000	\$ 593,761	\$ 2,523,761
2014	2,085,000	512,334	2,597,334
2015	2,245,000	421,004	2,666,004
2016	2,175,000	321,856	2,496,856
2017	1,945,000	224,040	2,169,040
2018	715,000	138,128	853,128
2019	775,000	111,656	886,656
2020	775,000	81,931	856,931
2021	285,000	51,556	336,556
2022	300,000	39,587	339,587
2023	310,000	26,987	336,987
2024	325,000	13,813	338,813
Total	\$ 20,215,000	\$ 5,601,779	\$ 25,816,779

DISCRETELY PRESENTED HENDERSON
COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Note Principal	Note Interest	Total Note Requirements
2009	\$ 13,333	\$ 1,920	\$ 15,253
2010	13,333	1,280	14,613
2011	13,334	640	13,974
Total	\$ 40,000	\$ 3,840	\$ 43,840

Exhibit J-3

Henderson County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Henderson County School Department
For the Year Ended June 30, 2008

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General Debt Service	General Capital Projects	Judicial complex construction	\$ 600,000
Total Transfers Primary Government			<u>\$ 600,000</u>
<u>DISCRETELY PRESENTED HENDERSON COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ 8,766
Total Transfers Discretely Presented Henderson County School Department			<u>\$ 8,766</u>

Henderson County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Henderson County School Department
For the Year Ended June 30, 2008

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 69,497 (1)	\$ 50,000	State Automobile Mutual Insurance Company
Road Supervisor	Section 8-24-102, <u>TCA</u>	64,760	100,000	Western Surety Company
Director of Schools	State Board of Education and County Board of Education	99,500 (2)	50,000	"
Trustee	Section 8-24-102, <u>TCA</u> , and County Commission	60,372 (1)	800,000	Auto-Owners Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	58,872	25,000	Western Surety Company
Director of Finance	County Commission	60,770	50,000	"
County Clerk	Section 8-24-102, <u>TCA</u> , and County Commission	60,372 (1)	50,000	State Automobile Mutual Insurance Company
Circuit Court Clerk	Section 8-24-102, <u>TCA</u> , and County Commission	64,759 (3)	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and County Commission	66,259 (1,3,4)	100,000	"
Register	Section 8-24-102, <u>TCA</u>	58,872	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	64,760 (5)	25,000	"
Employee Blanket Bonds:				
County Departments			50,000	State Automobile Mutual Insurance Company
County Departments and Highway Department			150,000	Local Government Property and Casualty Fund
School Department			150,000	Tennessee Risk Management Trust

- (1) Includes certified public administrator supplement of \$1,500.
- (2) Includes chief executive officer training supplement of \$1,000.
- (3) Includes additional compensation for multiple courts of \$5,887.
- (4) Does not include special commissioner fees of \$7,680.
- (5) Does not include law enforcement training supplements of \$1,200.

Exhibit J-5

Henderson County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2008

	Special Revenue Funds				Debt Service Funds			Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service	
Local Taxes								
County Property Taxes								
Current Property Tax	\$ 2,444,322	\$ 295,922	\$ 0	\$ 0	\$ 165,156	\$ 1,585,521	\$ 0	\$ 4,490,921
Trustee's Collections - Prior Year	95,019	12,996	0	0	6,423	55,742	0	170,180
Circuit/Clerk & Master Collections - Prior Years	31,203	3,795	0	0	2,108	20,240	0	57,346
Interest and Penalty	14,452	1,689	0	0	976	9,372	0	26,489
Payments in-Lieu-of Taxes - Local Utilities	32,977	4,011	0	0	2,228	21,390	0	60,606
County Local Option Taxes								
Local Option Sales Tax	80,706	0	0	0	0	0	538,688	619,394
Hotel/Motel Tax	50,434	0	0	0	0	0	0	50,434
Litigation Tax - General	172,447	0	0	0	0	0	0	172,447
Litigation Tax - Jail, Workhouse, or Courthouse Business Tax	39,461	0	0	0	0	0	0	39,461
Statutory Local Taxes	191,637	0	0	0	0	0	0	191,637
Bank Excise Tax	55,857	6,794	0	0	3,774	36,232	0	102,657
Wholesale Beer Tax	59,441	0	0	0	0	0	0	59,441
Interstate Telecommunications Tax	1,775	0	0	0	0	0	394	2,169
Total Local Taxes	\$ 3,269,731	\$ 325,207	\$ 0	\$ 0	\$ 180,665	\$ 1,728,497	\$ 539,082	\$ 6,043,182
Licenses and Permits								
Permits								
Beer Permits	\$ 1,140	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,140
Total Licenses and Permits	\$ 1,140	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,140
Fines, Forfeitures, and Penalties								
Circuit Court								
Fines	\$ 30,004	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 30,004
Officers Costs	745	0	0	0	0	0	0	745
Drug Control Fines	2,349	0	5,462	0	0	0	0	7,811
Drug Court Fees	470	0	0	0	0	0	0	470
DUI Treatment Fines	380	0	0	0	0	0	0	380

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Funds			Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service		
<u>Fines, Forfeitures, and Penalties (Cont.)</u>									
<u>General Sessions Court</u>									
Fines	\$ 112,824	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 112,824
Officers Costs	34,941	0	0	0	0	0	0	0	34,941
Game and Fish Fines	111	0	0	0	0	0	0	0	111
Drug Control Fines	18,439	0	13,633	0	0	0	0	0	32,072
Drug Court Fees	10,297	0	0	0	0	0	0	0	10,297
Jail Fees	9,634	0	0	0	0	0	0	0	9,634
DUI Treatment Fines	10,735	0	0	0	0	0	0	0	10,735
<u>Juvenile Court</u>									
Fines	3,470	0	0	0	0	0	0	0	3,470
<u>Chancery Court</u>									
Officers Costs	486	0	0	0	0	0	0	0	486
<u>Judicial District Drug Program</u>									
Drug Task Force Forfeitures and Seizures	0	0	74,521	0	0	0	0	0	74,521
Courtroom Security Fee	1,565	0	0	0	0	0	0	0	1,565
<u>Other Fines, Forfeitures, and Penalties</u>									
Proceeds from Confiscated Property	3,062	0	0	0	0	0	0	0	3,062
Total Fines, Forfeitures, and Penalties	\$ 239,512	\$ 0	\$ 93,616	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 333,128
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Patient Charges	\$ 1,020	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,020
Work Release Charges for Board Fees	1,080	0	0	0	0	0	0	0	1,080
Copy Fees	632	0	0	0	0	0	0	0	632
Telephone Commissions	14,474	0	0	0	0	0	0	0	14,474
Vending Machine Collections	834	0	0	0	0	0	0	0	834
Constitutional Officers' Fees and Commissions	0	0	0	983,488	0	0	0	0	983,488
Data Processing Fee - Register	10,960	0	0	0	0	0	0	0	10,960
Data Processing Fee - Sheriff	18,180	0	0	0	0	0	0	0	18,180
Sexual Offender Registration Fees - Sheriff	2,620	0	0	0	0	0	0	0	2,620
Total Charges for Current Services	\$ 49,800	\$ 0	\$ 0	\$ 983,488	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,033,288

(Continued)

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

	Special Revenue Funds					Debt Service Funds			Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service		
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 132,184	\$ 0	\$ 0	\$ 0	\$ 0	\$ 173,665	\$ 33,746	\$ 339,595	
Lease/Rentals	850	0	0	0	0	0	0	850	
Sale of Materials and Supplies	299	0	0	0	7,484	0	0	7,783	
Sale of Recycled Materials	0	34,218	0	0	0	0	0	34,218	
Miscellaneous Refunds	7,722	0	0	0	2,751	102	0	10,575	
<u>Other Local Revenues</u>									
Other Local Revenues	9,609	0	0	0	0	0	0	9,609	
Total Other Local Revenues	\$ 150,664	\$ 34,218	\$ 0	\$ 0	\$ 10,235	\$ 173,767	\$ 33,746	\$ 402,630	
<u>Fees Received from County Officials</u>									
<u>Excess Fees</u>									
County Clerk	\$ 11,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,500	
Circuit Court Clerk	91,000	0	0	0	0	0	0	91,000	
Clerk and Master	40,000	0	0	0	0	0	0	40,000	
Trustee	132,843	0	0	0	0	0	0	132,843	
<u>Fees in-Lieu-of Salary</u>									
Register	128,556	0	0	0	0	0	0	128,556	
Sheriff	10,826	0	0	0	0	0	0	10,826	
Total Fees Received from County Officials	\$ 414,725	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 414,725	
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 9,315	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,315	
State Reappraisal Grant	10,670	0	0	0	0	0	0	10,670	
<u>Public Works Grants</u>									
Bridge Program	0	0	0	0	153,715	0	0	153,715	
State Aid Program	0	0	0	0	173,571	0	0	173,571	
Litter Program	34,713	0	0	0	0	0	0	34,713	
<u>Other State Revenues</u>									
Income Tax	112,922	0	0	0	0	0	0	112,922	

(Continued)

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

	Special Revenue Funds					Debt Service Funds			Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service		
<u>State of Tennessee (Cont.)</u>									
<u>Other State Revenues (Cont.)</u>									
Beer Tax	\$ 19,312	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 19,312
Alcoholic Beverage Tax	46,271	0	0	0	0	0	0	0	46,271
Mixed Drink Tax	4,294	0	0	0	0	0	0	0	4,294
Contracted Prisoner Boarding	53,296	0	0	0	0	0	0	0	53,296
Gasoline and Motor Fuel Tax	0	0	0	0	1,815,675	0	0	0	1,815,675
Petroleum Special Tax	0	0	0	0	20,497	0	0	0	20,497
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	16,380
Other State Grants	137,070	8,810	3,065	0	0	0	0	0	148,945
Other State Revenues	37,592	0	0	0	0	0	0	0	37,592
Total State of Tennessee	\$ 481,835	\$ 8,810	\$ 3,065	\$ 0	\$ 2,163,458	\$ 0	\$ 0	\$ 0	\$ 2,657,168
<u>Federal Government</u>									
<u>Federal Through State</u>									
Civil Defense Reimbursement	\$ 37,572	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 37,572
Other Federal through State	3,400	0	0	0	0	0	0	0	3,400
Total Federal Government	\$ 40,972	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 40,972
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 287,708
Contracted Services	138,000	0	0	0	0	0	0	0	138,000
Other	199,186	0	0	0	0	0	0	0	199,186
Total Other Governments and Citizens Groups	\$ 337,186	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 624,894
Total	\$ 4,985,565	\$ 368,235	\$ 96,681	\$ 983,488	\$ 2,354,358	\$ 1,902,264	\$ 860,536	\$ 11,551,127	

Exhibit J-6

Henderson County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Henderson County School Department
For the Year Ended June 30, 2008

	General Purpose School	School Federal Projects	School Transpor- tation	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 1,721,698	\$ 0	\$ 825,789	\$ 2,547,487
Trustee's Collections - Prior Year	64,522	0	32,207	96,729
Circuit/Clerk & Master Collections - Prior Years	22,165	0	10,541	32,706
Interest and Penalty	10,054	0	4,885	14,939
Payments in-Lieu-of Taxes - T.V.A.	366	0	0	366
Payments in-Lieu-of Taxes - Local Utilities	23,402	0	11,141	34,543
<u>County Local Option Taxes</u>				
Local Option Sales Tax	2,277,213	0	0	2,277,213
Wheel Tax	363,593	0	0	363,593
<u>Statutory Local Taxes</u>				
Bank Excise Tax	39,343	0	18,871	58,214
Interstate Telecommunications Tax	2,517	0	0	2,517
Total Local Taxes	\$ 4,524,873	\$ 0	\$ 903,434	\$ 5,428,307
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 1,892	\$ 0	\$ 0	\$ 1,892
<u>Permits</u>				
Other Permits	465	0	0	465
Total Licenses and Permits	\$ 2,357	\$ 0	\$ 0	\$ 2,357
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Regular Day Students	\$ 1,050	\$ 0	\$ 0	\$ 1,050
Contract for Instructional Services with Other LEAs	107,200	0	0	107,200
Total Charges for Current Services	\$ 108,250	\$ 0	\$ 0	\$ 108,250
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Lease/Rentals	\$ 6,400	\$ 0	\$ 0	\$ 6,400
Sale of Materials and Supplies	343	0	0	343
Miscellaneous Refunds	26,757	0	0	26,757
<u>Nonrecurring Items</u>				
Sale of Equipment	8,962	0	11,350	20,312
Contributions and Gifts	10,608	0	0	10,608
<u>Other Local Revenues</u>				
Other Local Revenues	32,140	0	0	32,140
Total Other Local Revenues	\$ 85,210	\$ 0	\$ 11,350	\$ 96,560
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 112,023	\$ 0	\$ 0	\$ 112,023
<u>State Education Funds</u>				
Basic Education Program	14,965,756	0	0	14,965,756
Early Childhood Education	431,502	0	0	431,502
School Food Service	19,668	0	0	19,668
Driver Education	7,995	0	0	7,995
Other State Education Funds	37,074	77,658	0	114,732

(Continued)

Exhibit J-6

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

	General Purpose School	School Federal Projects	School Transpor- tation	Total
<u>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
Career Ladder Program	\$ 200,243	\$ 0	\$ 0	\$ 200,243
Career Ladder - Extended Contract	120,872	0	0	120,872
<u>Other State Revenues</u>				
Mixed Drink Tax	3,286	0	0	3,286
State Revenue Sharing - T.V.A.	646,756	0	0	646,756
Other State Grants	27,845	0	0	27,845
Other State Revenues	29,609	0	0	29,609
Total State of Tennessee	\$ 16,602,629	\$ 77,658	\$ 0	\$ 16,680,287
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 695,174	\$ 0	\$ 0	\$ 695,174
Breakfast	294,436	0	0	294,436
Adult Education State Grant Program	96,362	45,404	0	141,766
Vocational Education - Basic Grants to States	0	135,473	0	135,473
Other Vocational	0	11,612	0	11,612
Title I Grants to Local Education Agencies	0	663,892	0	663,892
Innovative Education Program Strategies	0	8,326	0	8,326
Special Education - Grants to States	26,082	783,158	0	809,240
Special Education Preschool Grants	0	26,127	0	26,127
English Language Acquisition Grants	0	5,260	0	5,260
Safe and Drug-Free Schools - State Grants	0	9,108	0	9,108
Eisenhower Professional Development State Grants	0	161,166	0	161,166
Other Federal through State	0	2,042	0	2,042
<u>Direct Federal Revenue</u>				
ROTC Reimbursement	50,757	0	0	50,757
Total Federal Government	\$ 1,162,811	\$ 1,851,568	\$ 0	\$ 3,014,379
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 0	\$ 0	\$ 40,000	\$ 40,000
<u>Other</u>				
Other	0	71,897	0	71,897
Total Other Governments and Citizens Groups	\$ 0	\$ 71,897	\$ 40,000	\$ 111,897
Total	\$ 22,486,130	\$ 2,001,123	\$ 954,784	\$ 25,442,037

Exhibit J-7

Henderson County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2008

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	66,000	
Social Security		4,092	
Employer Medicare		957	
Audit Services		5,838	
Total County Commission			\$ 76,887

Board of Equalization

Board and Committee Members Fees	\$	1,050	
Total Board of Equalization			1,050

County Mayor/Executive

County Official/Administrative Officer	\$	69,497	
Secretary(ies)		20,591	
Social Security		5,307	
State Retirement		7,789	
Medical Insurance		1,234	
Unemployment Compensation		204	
Employer Medicare		1,241	
Communication		4,870	
Dues and Memberships		200	
Legal Notices, Recording, and Court Costs		124	
Postal Charges		264	
Travel		58	
Office Supplies		790	
Other Charges		220	
Total County Mayor/Executive			112,389

County Attorney

Social Security	\$	298	
Unemployment Compensation		96	
Employer Medicare		70	
Dues and Memberships		100	
Legal Services		4,800	
Travel		810	
Total County Attorney			6,174

Election Commission

County Official/Administrative Officer	\$	52,985	
Clerical Personnel		21,343	
Part-time Personnel		5,334	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Election Commission	\$	1,460	
Election Workers		6,905	
In-Service Training		3,190	
Social Security		4,861	
State Retirement		6,464	
Medical Insurance		853	
Unemployment Compensation		416	
Employer Medicare		1,137	
Communication		1,214	
Data Processing Services		2,200	
Dues and Memberships		175	
Janitorial Services		65	
Legal Notices, Recording, and Court Costs		2,555	
Maintenance Agreements		771	
Maintenance and Repair Services - Office Equipment		1,941	
Postal Charges		1,778	
Printing, Stationery, and Forms		905	
Rentals		7,500	
Other Contracted Services		10,523	
Office Supplies		1,028	
Other Supplies and Materials		400	
Office Equipment		1,773	
Total Election Commission			\$ 137,776

Register of Deeds

County Official/Administrative Officer	\$	58,872	
Secretary(ies)		48,605	
Social Security		6,432	
State Retirement		9,500	
Medical Insurance		1,283	
Unemployment Compensation		280	
Employer Medicare		1,504	
Communication		1,666	
Data Processing Services		15,110	
Dues and Memberships		15	
Maintenance Agreements		1,772	
Postal Charges		623	
Office Supplies		4,784	
Office Equipment		940	
Total Register of Deeds			151,386

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings

Custodial Personnel	\$	20,268	
Social Security		1,257	
State Retirement		1,887	
Unemployment Compensation		140	
Employer Medicare		294	
Licenses		150	
Maintenance and Repair Services - Buildings		7,539	
Maintenance and Repair Services - Equipment		11,950	
Maintenance and Repair Services - Vehicles		275	
Pest Control		883	
Custodial Supplies		3,546	
Electricity		46,525	
Gasoline		5,289	
Natural Gas		5,844	
Water and Sewer		3,706	
Building Improvements		3,288	
Total County Buildings			\$ 112,841

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	60,770	
Accountants/Bookkeepers		116,599	
Social Security		9,859	
State Retirement		16,513	
Medical Insurance		6,829	
Unemployment Compensation		645	
Employer Medicare		2,306	
Communication		5,074	
Data Processing Services		7,817	
Legal Notices, Recording, and Court Costs		418	
Maintenance Agreements		3,038	
Postal Charges		2,945	
Printing, Stationery, and Forms		4,157	
Rentals		13,700	
Travel		3,228	
Office Supplies		2,255	
Other Supplies and Materials		620	
Premiums on Corporate Surety Bonds		175	
Other Charges		648	
Office Equipment		435	
Total Accounting and Budgeting			258,031

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office

County Official/Administrative Officer	\$	58,872	
Clerical Personnel		48,316	
Part-time Personnel		10,288	
Social Security		6,824	
State Retirement		9,473	
Medical Insurance		3,982	
Unemployment Compensation		427	
Employer Medicare		1,596	
Communication		892	
Contracts with Private Agencies		4,030	
Data Processing Services		13,139	
Dues and Memberships		1,146	
Legal Notices, Recording, and Court Costs		30	
Maintenance Agreements		3,146	
Postal Charges		586	
Printing, Stationery, and Forms		961	
Travel		471	
Office Supplies		927	
Premiums on Corporate Surety Bonds		103	
Other Charges		152	
Office Equipment		419	
Total Property Assessor's Office			\$ 165,780

Reappraisal Program

Other Salaries and Wages	\$	27,200	
Social Security		1,667	
State Retirement		2,532	
Unemployment Compensation		140	
Employer Medicare		390	
Maintenance and Repair Services - Vehicles		50	
Postal Charges		324	
Gasoline		861	
Total Reappraisal Program			33,164

County Trustee's Office

Communication	\$	2,533	
Data Processing Services		5,399	
Legal Notices, Recording, and Court Costs		207	
Maintenance Agreements		399	
Maintenance and Repair Services - Office Equipment		200	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Postal Charges	\$	6,256	
Printing, Stationery, and Forms		1,228	
Office Supplies		1,781	
Total County Trustee's Office			\$ 18,003

County Clerk's Office

Communication	\$	3,287	
Data Processing Services		10,461	
Legal Notices, Recording, and Court Costs		540	
Maintenance Agreements		2,949	
Postal Charges		6,500	
Office Supplies		3,010	
Office Equipment		400	
Total County Clerk's Office			27,147

Administration of Justice

Circuit Court

Other Salaries and Wages	\$	7,939	
Board and Committee Members Fees		225	
Jury and Witness Fees		9,520	
Social Security		1,007	
State Retirement		1,287	
Medical Insurance		1,071	
Unemployment Compensation		280	
Employer Medicare		235	
Communication		3,453	
Dues and Memberships		492	
Legal Notices, Recording, and Court Costs		218	
Maintenance Agreements		4,528	
Maintenance and Repair Services - Office Equipment		112	
Postal Charges		1,640	
Office Supplies		9,424	
Other Charges		9,996	
Office Equipment		5,194	
Total Circuit Court			56,621

General Sessions Court

Judge(s)	\$	101,929	
Secretary(ies)		25,743	
Social Security		7,627	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

State Retirement	\$	10,937	
Medical Insurance		2,341	
Unemployment Compensation		111	
Employer Medicare		1,784	
Communication		1,087	
Office Supplies		350	
Office Equipment		247	
Total General Sessions Court			\$ 152,156

Chancery Court

Communication	\$	1,918	
Data Processing Services		5,031	
Dues and Memberships		492	
Legal Notices, Recording, and Court Costs		2,248	
Maintenance Agreements		1,300	
Maintenance and Repair Services - Office Equipment		265	
Postal Charges		189	
Office Supplies		6,815	
Office Equipment		2,950	
Total Chancery Court			21,208

Juvenile Court

Guidance Personnel	\$	29,634	
Part-time Personnel		1,985	
In-Service Training		365	
Social Security		1,853	
State Retirement		2,944	
Medical Insurance		3,484	
Unemployment Compensation		140	
Employer Medicare		433	
Communication		1,902	
Contracts with Other Public Agencies		1,553	
Travel		1,370	
Office Supplies		543	
Total Juvenile Court			46,206

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	64,760	
Deputy(ies)		705,807	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Salary Supplements	\$	19,800	
Clerical Personnel		77,188	
Part-time Personnel		17,371	
In-Service Training		14,057	
Social Security		55,869	
State Retirement		70,778	
Medical Insurance		4,926	
Unemployment Compensation		5,187	
Employer Medicare		13,066	
Communication		27,062	
Dues and Memberships		700	
Legal Notices, Recording, and Court Costs		588	
Maintenance Agreements		8,914	
Maintenance and Repair Services - Equipment		16,703	
Maintenance and Repair Services - Vehicles		24,822	
Postal Charges		2,376	
Gasoline		92,756	
Office Supplies		6,096	
Tires and Tubes		5,074	
Uniforms		9,568	
Other Charges		1,970	
Motor Vehicles		29,267	
Office Equipment		18,111	
Total Sheriff's Department			\$ 1,292,816

Workhouse

Guards	\$	192,407
Cafeteria Personnel		15,397
Part-time Personnel		6,299
Social Security		13,089
State Retirement		17,220
Medical Insurance		995
Unemployment Compensation		2,098
Employer Medicare		3,061
Contracts with Government Agencies		6,920
Maintenance Agreements		6,860
Maintenance and Repair Services - Buildings		12,915
Maintenance and Repair Services - Equipment		2,058
Medical and Dental Services		116,088
Pest Control		444

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Workhouse (Cont.)

Custodial Supplies	\$	12,436	
Drugs and Medical Supplies		67,408	
Electricity		22,325	
Food Supplies		64,231	
Natural Gas		5,696	
Water and Sewer		11,160	
Furniture and Fixtures		285	
Total Workhouse			\$ 579,392

Fire Prevention and Control

County Official/Administrative Officer	\$	53,485	
Assistant(s)		10,000	
Part-time Personnel		1,200	
In-Service Training		3,102	
Social Security		3,851	
State Retirement		4,980	
Medical Insurance		3,560	
Unemployment Compensation		304	
Employer Medicare		901	
Communication		3,696	
Dues and Memberships		300	
Maintenance and Repair Services - Buildings		685	
Maintenance and Repair Services - Equipment		13,860	
Maintenance and Repair Services - Vehicles		11,726	
Postal Charges		611	
Travel		152	
Drugs and Medical Supplies		46	
Gasoline		13,229	
Instructional Supplies and Materials		549	
Office Supplies		805	
Uniforms		430	
Utilities		1,558	
Other Supplies and Materials		936	
Trustee's Commission		517	
Other Equipment		197,181	
Total Fire Prevention and Control			327,664

Civil Defense

Other Salaries and Wages	\$	19,875	
In-Service Training		810	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense (Cont.)

Social Security	\$	1,232	
Unemployment Compensation		140	
Employer Medicare		288	
Communication		942	
Maintenance and Repair Services - Vehicles		949	
Gasoline		743	
Office Supplies		544	
Office Equipment		507	
Total Civil Defense			\$ 26,030

Rescue Squad

Contributions	\$	15,000	
Total Rescue Squad			15,000

Other Emergency Management

Supervisor/Director	\$	7,426	
Social Security		311	
State Retirement		580	
Medical Insurance		906	
Unemployment Compensation		54	
Employer Medicare		73	
Total Other Emergency Management			9,350

County Coroner/Medical Examiner

Other Per Diem and Fees	\$	28,719	
Ambulance Services		525	
Total County Coroner/Medical Examiner			29,244

Other Public Safety

County Official/Administrative Officer	\$	34,383	
Dispatchers/Radio Operators		199,735	
Clerical Personnel		29,100	
Temporary Personnel		18,130	
Part-time Personnel		14,942	
Other Salaries and Wages		1,172	
In-Service Training		2,192	
Social Security		18,143	
State Retirement		25,541	
Medical Insurance		33,080	
Unemployment Compensation		1,919	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Other Public Safety (Cont.)

Employer Medicare	\$	4,243	
Maintenance Agreements		<u>3,223</u>	
Total Other Public Safety			\$ 385,803

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	4,980	
Other Salaries and Wages		52,229	
Social Security		3,238	
State Retirement		4,570	
Unemployment Compensation		338	
Employer Medicare		757	
Communication		4,430	
Maintenance and Repair Services - Buildings		2,938	
Maintenance and Repair Services - Equipment		513	
Postal Charges		3,295	
Travel		1,902	
Other Contracted Services		1,147	
Custodial Supplies		2,357	
Drugs and Medical Supplies		908	
Office Supplies		2,208	
Utilities		9,218	
Office Equipment		<u>1,338</u>	
Total Local Health Center			96,366

Other Local Health Services

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

Appropriation to State

Contracts with Government Agencies	\$	<u>12,300</u>	
Total Appropriation to State			12,300

General Welfare Assistance

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

Waste Pickup

Supervisor/Director	\$	12,800	
Part-time Personnel		2,510	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Waste Pickup (Cont.)

Social Security	\$	1,958	
Medical Insurance		3,655	
Unemployment Compensation		165	
Employer Medicare		477	
Advertising		2,200	
Communication		639	
Maintenance and Repair Services - Vehicles		161	
Printing, Stationery, and Forms		2,156	
Travel		93	
Gasoline		3,349	
Instructional Supplies and Materials		1,970	
Tires and Tubes		629	
Other Supplies and Materials		175	
Other Charges		1,191	
Total Waste Pickup			\$ 34,128

Social, Cultural, and Recreational Services

Adult Activities

Contributions	\$	2,807	
Total Adult Activities			2,807

Senior Citizens Assistance

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

Libraries

Contributions	\$	36,000	
Utilities		4,221	
Building and Contents Insurance		2,966	
Total Libraries			43,187

Other Social, Cultural, and Recreational

Contributions	\$	13,975	
Total Other Social, Cultural, and Recreational			13,975

Agriculture and Natural Resources

Agriculture Extension Service

Assistant(s)	\$	23,646	
Supervisor/Director		14,516	
Secretary(ies)		6,917	

(Continued)

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Agriculture Extension Service (Cont.)

Other Salaries and Wages	\$	3,940	
Communication		4,548	
Maintenance Agreements		3,918	
Postal Charges		168	
Travel		1,322	
Custodial Supplies		425	
Office Supplies		194	
Utilities		5,037	
Other Charges		15,906	
Total Agriculture Extension Service			\$ 80,537

Soil Conservation

Secretary(ies)	\$	10,952	
Social Security		679	
Unemployment Compensation		129	
Employer Medicare		159	
Total Soil Conservation			11,919

Flood Control

Contributions	\$	4,752	
Other Contracted Services		1,765	
Total Flood Control			6,517

Other Operations

Tourism

Contributions	\$	7,000	
Total Tourism			7,000

Industrial Development

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

Airport

Contributions	\$	29,481	
Total Airport			29,481

Veterans' Services

Supervisor/Director	\$	10,426	
Secretary(ies)		19,789	
In-Service Training		601	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services (Cont.)

Social Security	\$	1,523	
State Retirement		2,813	
Medical Insurance		1,097	
Unemployment Compensation		232	
Employer Medicare		356	
Communication		840	
Postal Charges		432	
Office Supplies		259	
Office Equipment		1,835	
Total Veterans' Services			\$ 40,203

Other Charges

Building and Contents Insurance	\$	24,928	
Liability Insurance		67,406	
Vehicle and Equipment Insurance		73,560	
Workers' Compensation Insurance		49,903	
Total Other Charges			215,797

Employee Benefits

State Retirement	\$	91,837	
Total Employee Benefits			91,837

Payments to Cities

Rentals	\$	18,856	
Total Payments to Cities			18,856

Miscellaneous

Contracts with Other School Systems	\$	2,301	
Dues and Memberships		7,242	
Legal Services		990	
Legal Notices, Recording, and Court Costs		438	
Maintenance Agreements		4,481	
Road Signs		908	
Premiums on Corporate Surety Bonds		1,349	
Trustee's Commission		63,390	
Other Charges		4,276	
Total Miscellaneous			85,375

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Principal on Debt

General Government

Principal on Notes	\$ 54,150	
Total General Government	<u>54,150</u>	\$ 54,150

Interest on Debt

General Government

Interest on Notes	\$ 14,093	
Total General Government	<u>14,093</u>	<u>14,093</u>

Total General Fund		\$ 4,932,271
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Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Education/Information

Supervisor/Director	\$ 19,500	
Part-time Personnel	89,752	
Bonus Payments	23,838	
Social Security	8,252	
State Retirement	4,035	
Employer Medicare	1,930	
Communication	6,373	
Contracts with Private Agencies	175,736	
Legal Notices, Recording, and Court Costs	230	
Maintenance Agreements	399	
Maintenance and Repair Services - Buildings	157	
Maintenance and Repair Services - Equipment	2,328	
Maintenance and Repair Services - Vehicles	1,998	
Gasoline	3,153	
Office Supplies	961	
Tires and Tubes	17,281	
Utilities	11,764	
Trustee's Commission	6,376	
Landfill Closure/Postclosure Care Costs	2,306	
Other Charges	4,099	
Total Sanitation Education/Information	<u>380,468</u>	\$ 380,468

Total Solid Waste/Sanitation Fund		380,468
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(Continued)

Exhibit J-7

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

Drug Control Fund

Public Safety

Drug Enforcement

Other Salaries and Wages	\$	20,000	
In-Service Training		2,689	
Communication		98	
Confidential Drug Enforcement Payments		4,000	
Maintenance and Repair Services - Equipment		718	
Maintenance and Repair Services - Vehicles		7,484	
Tow-in Services		2,165	
Animal Food and Supplies		4,144	
Gasoline		1,440	
Office Supplies		524	
Uniforms		1,051	
Trustee's Commission		171	
Other Charges		7,847	
Motor Vehicles		44,000	
Total Drug Enforcement		<u>44,000</u>	\$ <u>96,331</u>

Total Drug Control Fund \$ 96,331

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	<u>174,572</u>	
Total County Trustee's Office			\$ 174,572

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	<u>195,091</u>	
Total County Clerk's Office			195,091

Administration of Justice

Circuit Court Clerk

Constitutional Officers' Operating Expenses	\$	<u>293,099</u>	
Total Circuit Court Clerk			293,099

Chancery Court

Constitutional Officers' Operating Expenses	\$	<u>223,265</u>	
Total Chancery Court			<u>223,265</u>

Total Constitutional Officers - Fees Fund 886,027

(Continued)

Exhibit J-7

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	64,760	
Secretary(ies)		16,004	
Clerical Personnel		5,610	
Social Security		6,294	
State Retirement		7,251	
Medical Insurance		8,417	
Unemployment Compensation		210	
Employer Medicare		313	
Dues and Memberships		2,808	
Legal Notices, Recording, and Court Costs		490	
Postal Charges		27	
Office Supplies		808	
Premiums on Corporate Surety Bonds		379	
Other Charges		544	
Total Administration			\$ 113,915

Highway and Bridge Maintenance

Foremen	\$	23,715	
Equipment Operators		180,591	
Truck Drivers		142,350	
Laborers		101,389	
Overtime Pay		671	
Social Security		27,309	
State Retirement		37,019	
Medical Insurance		98,025	
Unemployment Compensation		4,900	
Employer Medicare		6,387	
Evaluation and Testing		42	
Medical and Dental Services		1,001	
Asphalt - Cold Mix		24,533	
Asphalt - Liquid		258,092	
Crushed Stone		146,965	
Pipe		47,846	
Road Signs		942	
Wood Products		16,850	
Other Supplies and Materials		637	
Total Highway and Bridge Maintenance			1,119,264

Operation and Maintenance of Equipment

Foremen	\$	31,820	
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(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Mechanic(s)	\$	26,143	
Overtime Pay		348	
Social Security		3,615	
Medical Insurance		11,402	
Unemployment Compensation		420	
Employer Medicare		846	
Laundry Service		3,031	
Maintenance and Repair Services - Equipment		3,505	
Diesel Fuel		177,180	
Equipment and Machinery Parts		131,967	
Gasoline		30,349	
Lubricants		11,344	
Tires and Tubes		41,044	
Other Supplies and Materials		94	
Total Operation and Maintenance of Equipment			\$ 473,108

Other Charges

Communication	\$	4,525	
Maintenance and Repair Services - Buildings		11	
Electricity		6,292	
Natural Gas		3,382	
Water and Sewer		889	
Liability Insurance		32,668	
Trustee's Commission		21,881	
Workers' Compensation Insurance		41,135	
Total Other Charges			110,783

Employee Benefits

Employee and Dependent Insurance	\$	22,090	
Total Employee Benefits			22,090

Capital Outlay

Bridge Construction	\$	159,244	
Highway Equipment		82,975	
State Aid Projects		235,595	
Other Construction		9,000	
Total Capital Outlay			486,814

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Principal on Debt

Highways and Streets

Principal on Capital Leases	\$ 9,996	
Total Highways and Streets		\$ 9,996

Interest on Debt

Highways and Streets

Interest on Capital Leases	\$ 2,406	
Total Highways and Streets		<u>2,406</u>

Total Highway/Public Works Fund		\$ 2,338,376
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General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$ 597,553	
Total General Government		\$ 597,553

Education

Principal on Bonds	\$ 725,000	
Principal on Notes	<u>155,850</u>	
Total Education		880,850

Interest on Debt

General Government

Interest on Notes	\$ 45,150	
Total General Government		45,150

Education

Interest on Bonds	\$ 661,598	
Interest on Notes	<u>58,001</u>	
Total Education		719,599

Other Debt Service

General Government

Fiscal Agent Charges	\$ 539	
Trustee's Commission	35,817	
Other Charges	<u>1,004</u>	
Total General Government		37,360

Education

Fiscal Agent Charges	\$ 1,619	
Total Education		<u>1,619</u>

Total General Debt Service Fund		2,282,131
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(Continued)

Exhibit J-7

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

<u>Rural Debt Service Fund</u>		
<u>Principal on Debt</u>		
<u>Education</u>		
Principal on Bonds	\$ 455,000	
Total Education		\$ 455,000
<u>Interest on Debt</u>		
<u>Education</u>		
Interest on Bonds	\$ 247,332	
Total Education		247,332
<u>Other Debt Service</u>		
<u>Education</u>		
Fiscal Agent Charges	\$ 840	
Trustee's Commission	5,752	
Total Education		6,592
Total Rural Debt Service Fund		\$ 708,924
<u>General Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Administration of Justice Projects</u>		
Building Construction	\$ 348,500	
Total Administration of Justice Projects		\$ 348,500
<u>Education Capital Projects</u>		
Contributions	\$ 40,000	
Total Education Capital Projects		40,000
Total General Capital Projects Fund		388,500
Total Governmental Funds - Primary Government		\$ 12,013,028

Exhibit J-8

Henderson County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Henderson County School Department
For the Year Ended June 30, 2008

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 7,036,579	
Career Ladder Program	102,850	
Career Ladder Extended Contracts	57,364	
Homebound Teachers	4,774	
Clerical Personnel	280,455	
Educational Assistants	186,019	
Other Salaries and Wages	104,738	
Non-certified Substitute Teachers	130,151	
Social Security	458,872	
State Retirement	480,843	
Medical Insurance	696,350	
Employer Medicare	108,467	
Maintenance and Repair Services - Equipment	1,478	
Tuition	31,427	
Instructional Supplies and Materials	136,331	
Textbooks	86,661	
Other Supplies and Materials	19,437	
Other Charges	35,035	
Regular Instruction Equipment	379,079	
Total Regular Instruction Program		\$ 10,336,910

Alternative Instruction Program

Educational Assistants	\$ 27,793	
Social Security	1,536	
State Retirement	2,588	
Medical Insurance	2,573	
Employer Medicare	359	
Instructional Supplies and Materials	7,988	
Other Equipment	10,002	
Total Alternative Instruction Program		52,839

Special Education Program

Teachers	\$ 1,166,476
Career Ladder Program	15,955
Career Ladder Extended Contracts	5,781
Homebound Teachers	2,565
Educational Assistants	159,780
Non-certified Substitute Teachers	30,392
Social Security	77,206

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

State Retirement	\$	84,524	
Medical Insurance		116,015	
Employer Medicare		18,513	
Contracts with Private Agencies		20,000	
Instructional Supplies and Materials		53,358	
Special Education Equipment		5,534	
Total Special Education Program			\$ 1,756,099

Vocational Education Program

Teachers	\$	685,804	
Career Ladder Program		17,500	
Career Ladder Extended Contracts		2,000	
Non-certified Substitute Teachers		10,500	
Social Security		41,149	
State Retirement		43,903	
Medical Insurance		58,699	
Employer Medicare		9,624	
Instructional Supplies and Materials		27,154	
Other Supplies and Materials		40,025	
Vocational Instruction Equipment		40,415	
Total Vocational Education Program			976,773

Adult Education Program

Teachers	\$	8,120	
Other Salaries and Wages		18,443	
Social Security		1,394	
State Retirement		1,954	
Medical Insurance		182	
Employer Medicare		374	
Other Supplies and Materials		10,212	
Other Charges		386	
Total Adult Education Program			41,065

Support Services

Attendance

Supervisor/Director	\$	65,484	
Career Ladder Program		500	
Social Security		4,091	
State Retirement		4,117	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

Employer Medicare	\$	957	
Travel		2,087	
Total Attendance			\$ 77,236

Health Services

Medical Personnel	\$	188,101	
Social Security		10,898	
State Retirement		15,642	
Medical Insurance		12,084	
Employer Medicare		2,549	
Travel		2,000	
Other Supplies and Materials		5,953	
In Service/Staff Development		1,162	
Total Health Services			238,389

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		309,783	
Other Salaries and Wages		100,378	
Social Security		24,144	
State Retirement		25,656	
Medical Insurance		31,479	
Employer Medicare		5,647	
Evaluation and Testing		11,422	
Travel		9,187	
Other Supplies and Materials		717	
Other Charges		20,520	
Other Equipment		41,909	
Total Other Student Support			581,842

Regular Instruction Program

Supervisor/Director	\$	126,034	
Career Ladder Program		10,000	
Career Ladder Extended Contracts		6,000	
Librarians		379,210	
Instructional Computer Personnel		60,442	
Other Salaries and Wages		23,558	
Social Security		32,563	
State Retirement		35,661	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Medical Insurance	\$	53,776	
Employer Medicare		8,155	
Travel		10,686	
Library Books/Media		33,929	
Other Supplies and Materials		1,620	
In Service/Staff Development		37,888	
Other Charges		7,599	
Total Regular Instruction Program			\$ 827,121

Alternative Instruction Program

Supervisor/Director	\$	51,324	
Career Ladder Program		1,000	
Social Security		2,910	
State Retirement		3,265	
Medical Insurance		8,245	
Employer Medicare		681	
Travel		606	
Other Supplies and Materials		581	
Total Alternative Instruction Program			68,612

Special Education Program

Supervisor/Director	\$	65,190	
Career Ladder Program		2,000	
Psychological Personnel		48,682	
Career Ladder Extended Contracts		2,000	
Assessment Personnel		41,374	
Other Salaries and Wages		21,298	
Social Security		10,330	
State Retirement		9,937	
Medical Insurance		17,687	
Employer Medicare		2,416	
Travel		11,186	
Other Supplies and Materials		3,678	
In Service/Staff Development		4,000	
Other Charges		30,227	
Other Equipment		3,429	
Total Special Education Program			273,434

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program

Supervisor/Director	\$	61,541	
Career Ladder Program		2,000	
Career Ladder Extended Contracts		2,000	
Social Security		3,926	
State Retirement		4,090	
Medical Insurance		3,493	
Employer Medicare		918	
Travel		3,330	
Other Supplies and Materials		1,607	
Other Charges		6,448	
Total Vocational Education Program			\$ 89,353

Adult Programs

Supervisor/Director	\$	56,408	
Social Security		3,384	
State Retirement		3,520	
Medical Insurance		3,299	
Employer Medicare		791	
Travel		1,034	
In Service/Staff Development		1,023	
Total Adult Programs			69,459

Other Programs

On-Behalf Payments to OPEB	\$	112,023	
Total Other Programs			112,023

Board of Education

Board and Committee Members Fees	\$	21,100	
Social Security		1,308	
Unemployment Compensation		10,627	
Employer Medicare		306	
Audit Services		15,000	
Dues and Memberships		10,105	
Legal Services		15,288	
Travel		1,241	
Judgments		175	
Trustee's Commission		109,459	
Workers' Compensation Insurance		151,624	
In Service/Staff Development		1,320	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Criminal Investigation of Applicants - TBI	\$	756	
Other Charges		9,866	
Total Board of Education			\$ 348,175

Director of Schools

County Official/Administrative Officer	\$	98,500	
Career Ladder Program		1,000	
Social Security		6,062	
State Retirement		6,209	
Medical Insurance		3,132	
Employer Medicare		1,418	
Communication		13,222	
Dues and Memberships		2,013	
Postal Charges		5,140	
Travel		3,000	
Other Charges		998	
Total Director of Schools			140,694

Office of the Principal

Principals	\$	546,066	
Career Ladder Program		14,000	
Career Ladder Extended Contracts		4,000	
Assistant Principals		222,739	
Social Security		46,236	
State Retirement		49,097	
Medical Insurance		59,435	
Employer Medicare		10,813	
Communication		46,332	
Other Contracted Services		8,500	
Other Supplies and Materials		371	
In Service/Staff Development		353	
Total Office of the Principal			1,007,942

Fiscal Services

Clerical Personnel	\$	46,077	
Social Security		2,470	
State Retirement		4,285	
Medical Insurance		8,061	
Employer Medicare		578	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

Travel	\$	354	
Other Contracted Services		775	
Office Supplies		3,945	
Other Charges		16,242	
Total Fiscal Services			\$ 82,787

Operation of Plant

Custodial Personnel	\$	367,903	
Social Security		21,196	
State Retirement		24,669	
Medical Insurance		28,778	
Employer Medicare		4,982	
Janitorial Services		69,529	
Disposal Fees		15,957	
Other Contracted Services		34,454	
Custodial Supplies		30,994	
Electricity		591,700	
Natural Gas		171,953	
Water and Sewer		79,956	
Building and Contents Insurance		199,665	
Total Operation of Plant			1,641,736

Maintenance of Plant

Supervisor/Director	\$	25,304	
Maintenance Personnel		81,936	
Social Security		5,832	
State Retirement		9,830	
Medical Insurance		15,673	
Employer Medicare		1,364	
Maintenance and Repair Services - Buildings		132,268	
Maintenance and Repair Services - Equipment		10,267	
Maintenance and Repair Services - Vehicles		3,429	
Travel		245	
Other Contracted Services		14,869	
Other Supplies and Materials		40,575	
Other Charges		15,670	
Maintenance Equipment		28,332	
Total Maintenance of Plant			385,594

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation

Bus Drivers	\$ 22,375	
Social Security	1,307	
Employer Medicare	306	
Maintenance and Repair Services - Vehicles	2,000	
Total Transportation		\$ 25,988

Central and Other

Operating Lease Payments	\$ 6,523	
Total Central and Other		6,523

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 31,179	
Clerical Personnel	9,539	
In-Service Training	1,282	
State Retirement	48,299	
Medical Insurance	67,496	
Payments to Schools - Breakfast	295,681	
Payments to Schools - Lunch	693,930	
Travel	2,351	
Food Service Equipment	9,851	
Total Food Service		1,159,608

Early Childhood Education

Teachers	\$ 154,076	
Educational Assistants	59,825	
Social Security	12,619	
State Retirement	14,986	
Medical Insurance	20,230	
Employer Medicare	2,951	
Travel	899	
Food Supplies	1,047	
Instructional Supplies and Materials	61,286	
Textbooks	755	
In Service/Staff Development	491	
Other Charges	3,869	
Other Equipment	80,720	
Total Early Childhood Education		413,754

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Capital Outlay

Regular Capital Outlay

Building Improvements	\$ 499,530	
Total Regular Capital Outlay		\$ 499,530

Other Debt Service

Education

Contributions	\$ 287,708	
Total Education		<u>287,708</u>

Total General Purpose School Fund		\$ 21,501,194
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School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 294,111	
Educational Assistants	132,034	
Other Salaries and Wages	3,555	
Certified Substitute Teachers	1,740	
Non-certified Substitute Teachers	452	
Social Security	23,924	
State Retirement	23,243	
Medical Insurance	38,994	
Employer Medicare	5,870	
Instructional Supplies and Materials	13,138	
Textbooks	7,998	
Other Supplies and Materials	4,338	
Other Charges	143,566	
Regular Instruction Equipment	<u>9,343</u>	
Total Regular Instruction Program		\$ 702,306

Special Education Program

Teachers	\$ 56,309
Clerical Personnel	16,315
Educational Assistants	277,634
Social Security	20,570
State Retirement	31,129
Medical Insurance	18,428
Employer Medicare	4,836
Contracts with Private Agencies	50,008
Maintenance and Repair Services - Equipment	3,422

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Instructional Supplies and Materials	\$	70,005	
Other Supplies and Materials		8,307	
Other Charges		6,488	
Total Special Education Program			\$ 563,451

Vocational Education Program

Contracts with Private Agencies	\$	182	
Travel		4,000	
Instructional Supplies and Materials		16,005	
Other Supplies and Materials		49,020	
Other Charges		7,500	
Regular Instruction Equipment		45,498	
Vocational Instruction Equipment		15,000	
Total Vocational Education Program			137,205

Adult Education Program

Teachers	\$	27,794	
Social Security		1,010	
Employer Medicare		403	
Instructional Supplies and Materials		6,678	
Other Supplies and Materials		8,078	
Other Charges		2,485	
Total Adult Education Program			46,448

Support Services

Health Services

Other Salaries and Wages	\$	38,647	
Social Security		2,240	
State Retirement		3,324	
Medical Insurance		2,333	
Employer Medicare		524	
Communication		1,136	
Travel		3,830	
Instructional Supplies and Materials		19,351	
Other Charges		1,500	
Total Health Services			72,885

Other Student Support

Travel	\$	3,411	
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(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

In Service/Staff Development	\$ 18,169	
Other Charges	6,744	
Total Other Student Support		\$ 28,324

Regular Instruction Program

Supervisor/Director	\$ 63,534	
Secretary(ies)	16,315	
Social Security	4,733	
State Retirement	5,487	
Medical Insurance	3,509	
Employer Medicare	1,107	
Travel	5,000	
Library Books/Media	8,278	
Other Supplies and Materials	399	
In Service/Staff Development	34,916	
Total Regular Instruction Program		143,278

Special Education Program

Secretary(ies)	\$ 19,078	
Social Security	1,183	
Employer Medicare	277	
Travel	22,010	
Total Special Education Program		42,548

Adult Programs

Travel	\$ 297	
Total Adult Programs		297

Transportation

Bus Drivers	\$ 113,233	
Social Security	5,074	
Employer Medicare	1,465	
Maintenance and Repair Services - Vehicles	3,126	
Other Contracted Services	599	
Diesel Fuel	30,680	
Other Supplies and Materials	8,410	
Total Transportation		162,587

Total School Federal Projects Fund \$ 1,899,329

(Continued)

Exhibit J-8

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

<u>School Transportation Fund</u>		
<u>Support Services</u>		
<u>Board of Education</u>		
Trustee's Commission	\$ 17,716	
Total Board of Education		\$ 17,716
 <u>Transportation</u>		
Supervisor/Director	\$ 18,765	
Bus Drivers	159,175	
Social Security	10,762	
State Retirement	2,582	
Employer Medicare	2,517	
Communication	3,688	
Contracts with Vehicle Owners	507,391	
Maintenance and Repair Services - Vehicles	28,892	
Travel	800	
Other Contracted Services	4,275	
Diesel Fuel	68,098	
Lubricants	384	
Tires and Tubes	9,922	
Other Charges	4,565	
Transportation Equipment	<u>134,000</u>	
Total Transportation		<u>955,816</u>
 Total School Transportation Fund		 \$ 973,532
 <u>Education Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Education Capital Projects</u>		
Building Construction	\$ 19,303	
Total Education Capital Projects		\$ <u>19,303</u>
 Total Education Capital Projects Fund		 <u>19,303</u>
 Total Governmental Funds - Henderson County School Department		 <u><u>\$ 24,393,358</u></u>

Exhibit J-9

Henderson County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balances - City Agency Funds
For the Year Ended June 30, 2008

	Cities - Sales Tax Fund	City School ADA - Lexington Fund	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 522,031	\$ 522,031
Trustee's Collections - Prior Year	0	22,251	22,251
Circuit/Clerk and Master Collections - Prior Years	0	6,508	6,508
Interest and Penalty	0	3,018	3,018
Payments in-Lieu-of Taxes - Local Utilities	0	6,897	6,897
Local Option Sales Tax	2,834,237	828,189	3,662,426
Wheel Tax	0	111,371	111,371
Bank Excise Tax	0	11,985	11,985
Interstate Telecommunications Tax	0	762	762
Marriage Licenses	0	578	578
Mixed Drink Tax	0	1,042	1,042
Total Cash Receipts	<u>\$ 2,834,237</u>	<u>\$ 1,514,632</u>	<u>\$ 4,348,869</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 2,805,895	\$ 1,486,562	\$ 4,292,457
Trustee's Commission	28,342	19,820	48,162
Total Cash Disbursements	<u>\$ 2,834,237</u>	<u>\$ 1,506,382</u>	<u>\$ 4,340,619</u>
Excess of Cash Receipts			
Over (Under) Cash Disbursements	\$ 0	\$ 8,250	\$ 8,250
Cash Balance, July 1, 2007	0	89,506	89,506
Cash Balance, June 30, 2008	<u>\$ 0</u>	<u>\$ 97,756</u>	<u>\$ 97,756</u>

SINGLE AUDIT SECTION

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841

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

May 4, 2009

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henderson County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise Henderson County's basic financial statements and have issued our report thereon dated May 4, 2009. 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 Henderson County Emergency Communications District as described in our report on Henderson 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 Henderson 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 Henderson County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Henderson 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: 08.01, 08.02, 08.04, 08.05, 08.06, 08.08, 08.14, and 08.15.

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 Henderson 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, of the significant deficiencies described above, we consider items 08.01 and 08.02 to be material weaknesses.

Compliance and Other Matters

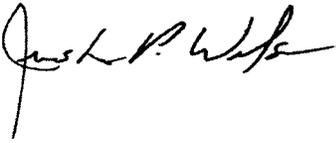
As part of obtaining reasonable assurance about whether Henderson County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items: 08.03, 08.07, 08.09, 08.10, 08.11, 08.12, and 08.13.

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

Henderson 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 Henderson County's responses and, accordingly, we express no opinion on them.

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

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a prominent initial "J" and "W".

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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

May 4, 2009

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Henderson County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Henderson County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Henderson County's management. Our responsibility is to express an opinion on Henderson County's compliance based on our audit.

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

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

In our opinion, Henderson County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Henderson 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 Henderson 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 Henderson 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

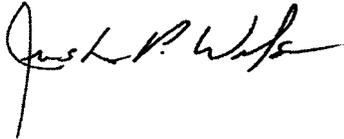
We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henderson County as of and for the year ended June 30, 2008, and have issued our report thereon dated May 4, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Henderson 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.

Henderson 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 Henderson County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, county mayor, director of schools, road supervisor, county finance director, County Commission, Board of Education, County Finance Committee, others within Henderson 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, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a prominent initial "J" and "W".

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

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Henderson County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2008

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:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	\$ 97,581 (5)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	294,436
National School Lunch Program	10.555	N/A	695,174 (5)
Total U.S. Department of Agriculture			<u>\$ 1,087,191</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Z0802276800	\$ 9,315
Passed-through State Office of Criminal Justice Programs:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Z06027607	17,758
Total U.S. Department of Justice			<u>\$ 27,073</u>
U.S. Department of Labor:			
Passed-through State Department of Education:			
WIA - Adult Program	17.258	N/A	\$ 46,750
Total U.S. Department of Labor			<u>\$ 46,750</u>
U.S. Department of Transportation:			
Passed-through State Department of Education:			
State and Community Highway Safety	20.600	Z08023810	\$ 4,995
Total U.S. Department of Transportation			<u>\$ 4,995</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Adult Education - Basic Grants to States	84.002	Z0802078900	\$ 78,340
Title I Grants to Local Educational Agencies	84.010	N/A	661,779
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	742,456
Special Education - Preschool Grants	84.173	N/A	26,127
Career and Technical Education - Basic Grants to States	84.048	N/A	148,220
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	(3)	13,905
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	14,604
State Grants for Innovative Programs	84.298	N/A	9,851
Improving Teacher Quality State Grants	84.367	N/A	108,267
Total U.S. Department of Education			<u>\$ 1,803,549</u>
U.S. Elections Assistance Commission:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	N/A	\$ 1,773
Total U.S. Elections Assistance Commission			<u>\$ 1,773</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Education:			
Temporary Assistance for Needy Families	93.558	(4)	\$ 18,022
Total U.S. Department of Health and Human Services			<u>\$ 18,022</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	Z072060200	\$ 3,296
Homeland Security Grant Program	97.067	GG072081800	34,276
Total U.S. Department of Homeland Security			<u>\$ 37,572</u>
Total Expenditures of Federal Awards			<u>\$ 3,026,925</u>
<u>State Grants</u>			
		<u>Contract Number</u>	
Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 10,670
Litter Program - State Department of Transportation	N/A	(2)	34,713
Volunteer Fire Assistance Grant Program - State Department of Agriculture	N/A	(2)	3,000
Tobacco Awareness Grant - State Department of Health	N/A	(2)	15,789
Audio Visual Equipment - Administrative Office of the Courts	N/A	(2)	8,000
Community Enhancement Grants - Tennessee Secretary of State	N/A	(2)	4,000
Waste Tire Options Grant - State Department of Environment and Conservation	N/A	(2)	8,810
Safe Schools Act - State Department of Education	N/A	(2)	19,100
Early Childhood Education - State Department of Education	N/A	(2)	<u>431,502</u>
Total State Grants			<u>\$ 535,584</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) GG000820204: \$2,173; GG000822031: \$11,732.
- (4) Z0820121700: \$12,022; Z0820059200: \$6,000.
- (5) Total for CFDA No. 10.555 is \$792,755.

Henderson County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2008

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Henderson County, Tennessee, for the year ended June 30, 2007, which have not been corrected.

OFFICE OF FINANCE DIRECTOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.02	152	The former sheriff and a former employee of the County Mayor's Office were delinquent in reimbursing the county
07.03	153	The office had deficiencies in purchasing procedures

OFFICE OF COUNTY CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.06	154	Excess fees were not reported and paid to the county in compliance with state statute

OFFICE OF CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.07	155	Execution docket trial balances did not reconcile with cash journal accounts
07.08	155	Excess fees were not reported and paid to the county in compliance with state statute

OFFICE OF CLERK AND MASTER

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.10	156	Excess fees were not reported and paid to the county in compliance with state statute

OTHER FINDING

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.14	158	Duties were not segregated adequately in the Offices of County Clerk, Juvenile Court Clerk, and Sheriff

HENDERSON COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2008

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Henderson County is unqualified.
2. The audit of the financial statements of Henderson County disclosed significant deficiencies in internal control. Two of these deficiencies were considered to be material weaknesses.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of Henderson 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 were required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555) 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. Henderson County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

OFFICE OF FINANCE DIRECTOR

FINDING 08.01 **HENDERSON COUNTY DOES NOT HAVE THE RESOURCES TO PRODUCE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS**
(Internal Control – Material Weakness Under Government Auditing Standards)

Generally accepted auditing standards require that Henderson County's financial statements be the product of a financial reporting system that offers reasonable assurance that management is able to produce financial statements and notes to the financial statements that comply with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires that the county have internal controls over reporting government-wide and fund financial information and preparing the related notes. It is permissible for us, as the external auditors, to assist Henderson County in preparing its financial statements and notes as a matter of convenience as long as the county has the skills needed to prepare its financial statements and notes. However, management, including the accounting staff, does not have the technical skills to prepare GAAP financial statements and disclosures. The inability to prepare financial statements and notes is an indication of a lack of controls, or ineffective controls, because material misstatements may not be detected.

RECOMMENDATION

Henderson County should develop the ability to produce financial statements and notes to the financial statements that comply with GAAP. This could include having at least one staff member trained in financial statement preparation. This staff member should have sufficient skills necessary to prepare a complete set of year-end financial statements even though the external auditors prepare the county's financial statements as a matter of convenience. If we, as the external auditors, continue to prepare the county's financial statements, this individual must have sufficient knowledge to determine the completeness of financial statement information and disclosures.

**FINDING 08.02 THE GENERAL FUND REQUIRED MATERIAL AUDIT
ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT
PRESENTATION**
(Internal Control – Material Weakness Under Government Auditing
Standards)

At June 30, 2008, certain general ledger account balances in the General Fund were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require Henderson County to have adequate internal controls over the maintenance of its accounting records. Material audit adjustments were required because the county's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the county has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

Henderson County should have appropriate processes in place to ensure that its general ledgers are materially correct.

**FINDING 08.03 THE FORMER SHERIFF AND A FORMER EMPLOYEE OF
THE COUNTY MAYOR'S OFFICE ARE DELINQUENT IN
REIMBURSING THE COUNTY**
(Noncompliance Under Government Auditing Standards)

Our examination of prior-year agreements disclosed that management has not taken steps to collect the following delinquent salary overpayments. These deficiencies were reported in the prior-year audit report.

- A. On July 11, 2000, the former sheriff, Charles Woods, entered into an agreement with Henderson County to repay the county for a salary overpayment of \$1,573.92. The conditions of the agreement required payments of \$100 per month for 11 months plus a final payment of \$473.92. Mr. Woods has paid the county \$1,100, which leaves an unpaid balance of \$473.92. Mr. Woods has not made a payment to the county since 2003.
- B. During the 2001-02 year, an employee in the Office of County Mayor was improperly paid for 41 days of unused sick leave and 15 days of unused vacation leave. On November 8, 2002, this employee signed an agreement to refund \$5,541.89 to the county in three installments: \$541.89 on December 6, 2002, \$2,500 on June 6, 2003, and \$2,500 on June 6, 2004. As of June 30, 2008, this employee had paid \$4,360 on the agreed amount, leaving an unpaid balance of \$1,181.89. It should be noted that this individual is currently employed by the county Finance Department.

RECOMMENDATION

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

FINDING 08.04 **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES** (Internal Control – Significant Deficiency Under Government Auditing Standards)

The office did not issue purchase orders for some applicable purchases. Purchase orders are necessary to control who has purchasing authority and to document purchasing commitments. The failure to issue purchase orders increases the risks of unauthorized purchases. Also, in some instances, the office issued purchase orders after purchases were made. This practice defeats the purpose of issuing a purchase order and makes the purchase order an approval for payment rather than an approval for the purchase. These deficiencies exist because management failed to correct this finding noted in the prior-year audit report.

RECOMMENDATION

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

OFFICES OF FINANCE DIRECTOR AND ROAD SUPERVISOR

FINDING 08.05 **AN EMPLOYEE MADE IMPROPER PURCHASES USING HIGHWAY DEPARTMENT FUNDS RESULTING IN A CASH SHORTAGE OF \$422.78** (Internal Control – Significant Deficiency Under Government Auditing Standards)

As a follow-up to a citizen complaint filed with the local ethics committee, we examined some purchasing transactions back to 2004-05. Our examination of Highway Department invoices disclosed that auto parts had been purchased for vehicles not owned by the Highway Department. These purchases were made by mechanic Bobby Hensley. In some instances, it appeared that the items purchased were for vehicles owned by Mr. Hensley or other Highway Department employees. Invoices for parts purchased for private vehicles totaled \$422.78 (\$181.40 in 2004-05; \$124.82 in 2005-06; and \$116.47 in 2006-07) for the period examined. We were not able to determine if these parts were installed at the county facility by county employees. The cash shortage of \$422.78 was repaid to the Highway/Public Works Fund by Mr. Hensley on May 22, 2008. This finding has been discussed with the district attorney general.

RECOMMENDATION

Internal controls over the purchasing process should be strengthened to prevent purchases of repair parts for personal vehicles.

MANAGEMENT'S RESPONSE – ROAD SUPERVISOR

This deficiency occurred because back in 2005, equipment numbers were not written on invoices. Equipment numbers are now written on all invoices.

FINDING 08.06 **THE HIGHWAY DEPARTMENT HAD PURCHASING DEFICIENCIES** (Internal Control – Significant Deficiency Under Government Auditing Standards)

The following deficiencies were noted in the Highway Department's purchasing process:

- A. In most instances, invoices for vehicle repair parts did not identify the vehicles for which the parts were purchased. Therefore, we were unable to determine if all of these purchases were for Highway Department vehicles.
- B. Mechanics and other employees were allowed to charge items to the Highway Department at their discretion. Charge tickets were provided to the bookkeeper for comparison with monthly statements. These documents were then filed with the Finance Office for payment; however, the finance director advised that she relied on Highway Department personnel to approve payment.
- C. Henderson County operates under the County Financial Management System of 1981. The finance director serves as the purchasing agent for Henderson County, and the finance director and Finance Committee establish purchasing procedures for the county. It appears from the deficiencies noted above that the finance director is not involved in the purchasing process for the Highway Department until after the purchases have already been made.

RECOMMENDATION

Highway Department personnel should ensure that a notation is included on charge tickets and/or invoices to identify the vehicle for which the part was purchased. Purchasing authority for the Highway Department garage should be limited to the garage foreman or other designee. The finance director, as purchasing agent for the county, should ensure that the Highway Department purchasing procedures are effective and comply with the purchasing system established by the finance director and Finance Committee.

MANAGEMENT'S RESPONSE – ROAD SUPERVISOR

- A. Since different parts will interchange with older equipment or vehicles, part numbers will not be the same and will not always match the vehicles due to ages.
- B. To the best of my knowledge invoices were in order and were sent to the Finance Office for payment.

AUDITOR'S COMMENT TO MANAGEMENT'S RESPONSE TO A. and B.

Auto parts are typically purchased on an as needed basis for specific vehicles. The Finance Office should approve payments instead of the Highway Department.

OFFICE OF ROAD SUPERVISOR

FINDING 08.07 **THE HIGHWAY DEPARTMENT PERFORMED WORK AND PROVIDED MATERIALS FOR PRIVATE PURPOSES** (Noncompliance Under Government Auditing Standards)

The following instances were noted where work was performed and materials were provided for private purposes. These deficiencies exist due to the lack of proper management oversight and long-standing unauthorized practices.

- A. The Highway Department used men and equipment to grade private driveways. The road supervisor advised that it has always been the Highway Department's policy to grade private driveways when requested by citizens.
- B. Mechanics at the Highway Department garage were allowed to work on other Highway Department employees' vehicles during normal work hours at the department's garage.
- C. The Highway Department purchased gravel and maintained a stockpile at the highway garage. The road supervisor advised that it has always been the Highway Department's policy to allow citizens to obtain up to one load of gravel per year from this stockpile at no cost. Citizens are to provide their own hauling; however, in some cases of financial or physical need, the road supervisor stated that he had hauled the gravel for them in his personal truck.
- D. The road supervisor allowed employees to place non-taxed fuel in their personal vehicles as reimbursement for driving their personal vehicles during emergencies.

Section 54-7-202, Tennessee Code Annotated, provides that "the chief administrative officer shall not authorize or knowingly permit the trucks or road equipment, the rock, crushed stone or any other road materials to be used for any private use or for the use of any individual for private purposes ..."

RECOMMENDATION

The Highway Department should not perform work or provide materials for private purposes. Non-taxed fuel should not be placed in private vehicles in compliance with state statute. The Highway Department should establish a reimbursement policy for employees who use their private vehicles for business. This policy should require employees to provide documentation of the business use of their vehicles and reimbursements should be provided on a per mile basis.

MANAGEMENT'S RESPONSE – ROAD SUPERVISOR

A., B., and D. – This practice has been in place since my hire date 43 years ago but stopped at the beginning of 2008. C. – Material will not be used for private driveways.

FINDING 08.08 **THE DEPARTMENT DID NOT MAINTAIN ADEQUATE CONTROLS OVER CONSUMABLE ASSETS** (Internal Control – Significant Deficiency Under Government Auditing Standards)

The following deficiencies were noted in the maintenance of consumable assets:

- A. The Highway Department did not maintain inventory records or control the usage of consumable assets such as repair parts, tires, batteries, oil, and other fluids. Sound business practices dictate the accountability of consumable assets. The failure to maintain adequate records of consumable assets weakens controls over these assets and increases the risk of inventory loss.

- B. The Highway Department dispensed fuel from pumps located at the highway garage. These pumps were not locked, and there were no controls over usage. The pumps do not reflect gallons pumped, and no attempts were made to reconcile amounts used with amounts purchased and on hand. Failure to perform such reconciliations and control access to fuel exposes the Highway Department to unauthorized use. Highway Department personnel advised us that new fuel pumps, which reflect the gallons pumped, were installed subsequent to June 30, 2008.

RECOMMENDATION

The Highway Department should maintain inventory records of consumable assets and should reconcile fuel purchased with fuel on hand and gallons pumped.

MANAGEMENT'S RESPONSE – ROAD SUPERVISOR

Logs are now maintained.

FINDING 08.09 A COUNTY ROAD LIST WAS NOT SUBMITTED TO THE COUNTY COMMISSION FOR APPROVAL
(Noncompliance Under Government Auditing Standards)

The road supervisor did not prepare and submit a list of county roads to the County Commission as required by state statute. Section 54-10-103, Tennessee Code Annotated, requires the road supervisor to submit a list of county roads to the County Commission for its approval at the January session each year. This list must include the classification, width and distance of each county-maintained road, and a summary of changes from the prior year that provides the road name, date the change was approved by the County Commission, and the reason for the change. A list of county roads has not been presented to the County Commission by the road supervisor since April 26, 2007. Highway Department officials need a current approved list of county roads to determine which roads the department is authorized to work. This deficiency exists due to a lack of management oversight. When this deficiency was brought to the county's attention, a list of county roads was approved by the County Commission on July 14, 2008, and again in January 2009.

RECOMMENDATION

The road supervisor should submit to the County Commission a list of county roads at the January session each year. This list should include the classification, width and distance of each road, and a summary of changes as required by state statute.

MANAGEMENT'S RESPONSE – ROAD SUPERVISOR

Road lists will be submitted on a timely basis in the future.

FINDING 08.10 THE HIGHWAY DEPARTMENT WORKED ON ROADS THAT WERE NOT ON THE OFFICIAL COUNTY ROAD LIST
(Noncompliance Under Government Auditing Standards)

The Highway Department has maintained several roads that were not listed on the official county road lists approved by the County Commission as noted in Finding 08.09 above. Section 54-10-103, Tennessee Code Annotated, authorizes the Highway Department to work only on roads accepted as county roads by the County Commission. The road supervisor stated that these roads have been maintained by the Highway Department for many years.

RECOMMENDATION

The road supervisor should ensure that the Highway Department works only on roads listed on the official county road list approved by the County Commission as provided by state statute.

MANAGEMENT'S RESPONSE – ROAD SUPERVISOR

All roads that are worked on will be on the county's road list.

**FINDING 08.11 THE OFFICE FAILED TO COMPLY WITH STATE STATUTES WHEN ENTERING INTO A LEASE-PURCHASE AGREEMENT
(Noncompliance Under Government Auditing Standards)**

On November 7, 2007, the Highway Department entered into a lease-purchase agreement for an excavator (\$82,975) without the prior approval of the County Commission. Section 7-51-904, Tennessee Code Annotated (TCA), requires lease-purchase agreements to be approved by resolution of the County Commission. Additionally, the office did not file a Report on Debt Obligation with the state director of Local Finance. Section 9-21-151, TCA, requires that within 45 days following the issuance of debt, a county must provide to the state director of Local Finance certain information, such as a description of the purchase for which the debt is issued, a description of the debt obligation, and an itemized description of the cost of issuance. Officials advised that the County Commission had approved the solicitation of bids for the excavator. However, officials were not aware of the requirements that lease-purchase agreements must be approved by the County Commission and reported to the state director of Local Finance.

RECOMMENDATION

Lease-purchase agreements should be approved by the County Commission, and a Report on Debt Obligation should be filed with the state director of Local Finance within 45 days following the issuance of the debt.

MANAGEMENT'S RESPONSE – ROAD SUPERVISOR

In the future, all lease-purchases will go to the Finance Office and the County Commission.

OFFICES OF COUNTY CLERK, CIRCUIT COURT CLERK, AND CLERK AND MASTER

**FINDING 08.12 EXCESS FEES WERE NOT REPORTED AND PAID TO THE COUNTY IN COMPLIANCE WITH STATE STATUTE
(Noncompliance Under Government Auditing Standards)**

The county clerk, circuit court clerk, and clerk and master did not report and pay excess fees to the county in compliance with Section 8-22-104, Tennessee Code Annotated. This statute requires excess fees to be reported and paid to the county quarterly and authorizes the clerks to retain sufficient fees to operate their offices for three months. This deficiency exists because management failed to correct the finding noted in the prior audit report. Excess fees retained in these offices exceeded statutory limits for each quarter covered by our examination.

RECOMMENDATION

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

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 08.13 **EXECUTION DOCKET TRIAL BALANCES DID NOT RECONCILE WITH CASH JOURNAL ACCOUNTS**

(Noncompliance Under Government Auditing Standards)

At June 30, 2008, the circuit and general sessions courts clerk had prepared trial balances of execution docket cause balances as required by Section 18-2-103, Tennessee Code Annotated (TCA). However, these trial balances did not reconcile with cash journal accounts by substantial amounts. Therefore, we were unable to determine if the clerk had complied with provisions of the Unclaimed Property Act, Section 66-29-110, TCA. This statute provides that any funds held by the court for one year and unclaimed by the owner are considered abandoned. Section 66-29-113, TCA, further requires these funds to be reported and paid to the state Treasurer's Office. This deficiency exists due to the failure of management to take corrective action for the finding reported in prior audit reports.

RECOMMENDATION

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

FINDING 08.14 **THE SOFTWARE FOR THE COURTS DID NOT HAVE ADEQUATE APPLICATION CONTROLS**

(Internal Control – Significant Deficiency Under Government Auditing Standards)

The following control deficiencies related to the office's software were identified:

- A. Receipts could be deleted from the application, leaving no evidence of the original transaction.
- B. In-lieu-of using prenumbered receipt stock, the office generated receipts on plain paper. Since the software for the courts did not require the user to enter a receipt number, we could not determine whether the office had accounted for all receipts. This was also a violation of Section 9-2-103, Tennessee Code Annotated, which provides for receipts to be prenumbered consecutively. In lieu of prenumbered receipts, computer-generated receipts may be printed on plain paper only if the software generates a receipt number that cannot be manipulated.

Sound business practices dictate that proper application controls be implemented. Since the vendor did not design the system with proper controls and since management was not aware of the importance of these controls, inappropriate system activity could occur.

RECOMMENDATION

Management should contact the software vendor concerning the addition of controls to the court application. The capability of deleting receipts should be removed from the application. The software should assign consecutive receipt numbers that cannot be manipulated.

OTHER FINDING AND RECOMMENDATION

FINDING 08.15 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY CLERK, JUVENILE COURT CLERK, 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, Juvenile Court Clerk, and Sheriff. Officials and employees responsible for maintaining the accounting records in these offices were also involved in receipting, depositing, disbursing, and/or reconciling bank statements. Accounting standards provide that internal controls be designed to provide reasonable assurance of the reliability in financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions.

RECOMMENDATION

Officials should segregate duties to the extent possible using available resources.

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**HENDERSON COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2008**

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