



**ANNUAL FINANCIAL REPORT
HENRY COUNTY, TENNESSEE**



FOR THE YEAR ENDED JUNE 30, 2009



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**ANNUAL FINANCIAL REPORT
HENRY COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2009**

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

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

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State Auditors***

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

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Audit Highlights
Annual Financial Report
Henry County, Tennessee
For the Year Ended June 30, 2009

Scope

We have audited the basic financial statements of Henry County as of and for the year ended June 30, 2009.

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICE OF COUNTY MAYOR

- ◆ The General Fund required material audit adjustments for proper financial statement presentation.
- ◆ The office had deficiencies in compliance with requirements of a Rural Economic Development Loan.
- ◆ The contractor for the airport industrial building project was allowed to use the county's tax-exempt status.
- ◆ Expenditures exceeded appropriations approved by the County Commission at the major appropriation category level of control (the legal level of control) in the General Fund.

OFFICE OF COUNTY ROAD SUPERVISOR

- ◆ In several instances, the office issued purchase orders after purchases were made.
- ◆ Supervisors did not sign the employees' time cards as evidence of review and approval.

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ The School Federal Projects Fund had a deficit in unreserved fund balance.

OTHER FINDINGS

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

INTRODUCTORY SECTION

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Henry County Officials

June 30, 2009

Officials

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

Board of County Commissioners

Brent Greer, County Mayor, Chairman	Paul Mathenia
Earl Anderson	Connie McSwain
Dell Carter	Paul Neal
Mitchell Evans	Dan Paschall
Bobby Freeman	James Travis
Jeff Hamlin	Mary Warren
Kenneth Humphreys	David Webb
Don Jones	Tim Wirgau

Board of Education

Mike Dunkerson, Chairman
Gary Williams
Patricia Reimold
George Todd

Highway Commission

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

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FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

March 8, 2010

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henry County, Tennessee, as of and for the year ended June 30, 2009, which collectively comprise Henry County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Henry County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Henry County Medical Center, which represent 67 percent and 70 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Also, we did not audit the financial statements of the Henry County Emergency Communications District, which represent one percent and .4 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Henry County Medical Center and the Henry County Emergency Communications District, is based on the reports of other auditors.

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

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henry County, Tennessee, as of June 30, 2009, 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 March 8, 2010, on our consideration of Henry County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note V.B., Henry County has implemented the provisions of Governmental Accounting Standards Board Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations; and Statement No. 52, Land and Other Real Estate Held as Investments by Endowments.

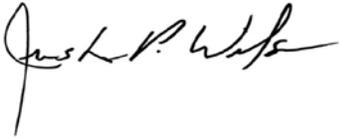
The management of Henry County did not prepare a management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of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

The budgetary comparison, pension, and other postemployment benefits information on pages 83 through 92 are not required parts of the basic financial statements but they do provide supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is written in a cursive style with a prominent vertical line extending downwards from the end.

Justin P. Wilson
Comptroller of the Treasury

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BASIC FINANCIAL STATEMENTS

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Exhibit A

Henry County, Tennessee
Statement of Net Assets
June 30, 2009

	Component Units			
	Primary Government Governmental Activities	Henry County School Department	Henry County Medical Center	Henry County Emergency Communications District
<u>ASSETS</u>				
Cash	\$ 13,429	\$ 0	\$ 2,753,923	\$ 842,282
Equity in Pooled Cash and Investments	8,942,716	3,596,083	0	0
Inventories	0	0	1,834,917	0
Investments	0	0	7,521,838	0
Accounts Receivable	98,377	1,903	15,941,023	17,301
Allowance for Uncollectibles	0	0	(6,679,000)	0
Due from Other Governments	941,236	1,006,830	0	0
Property Taxes Receivable	4,883,633	4,685,229	0	0
Allowance for Uncollectible Property Taxes	(70,856)	(67,978)	0	0
Prepaid Items	0	0	606,138	0
Accrued Interest Receivable	0	0	0	3,528
Cash Shortage	93,693	0	0	0
Other Current Assets	0	0	776,277	0
Other Restricted Assets	0	0	11,642,000	0
Deferred Charges - Debt Issuance Costs	178,318	0	0	0
Capital Assets:				
Assets Not Depreciated:				
Land	5,034,256	610,066	655,041	0
Construction in Progress	871,182	0	129,517	0
Assets Net of Accumulated Depreciation:				
Buildings and Improvements	3,979,334	23,510,446	28,738,561	0
Infrastructure	17,895,763	0	0	0
Other Capital Assets	631,564	1,257,292	9,691,785	293,732
Total Assets	<u>\$ 43,492,645</u>	<u>\$ 34,599,871</u>	<u>\$ 73,612,020</u>	<u>\$ 1,156,843</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 11,595	\$ 131,506	\$ 2,057,166	\$ 18,903
Contracts Payable	29,193	0	0	0
Retainage Payable	1,537	0	0	0
Claims and Judgments Payable	0	0	145,404	0
Accrued Interest Payable	96,896	0	0	0
Other Current Liabilities	0	0	3,964,321	0
Deferred Revenue - Current Property Taxes	4,586,496	4,400,162	0	0
Noncurrent Liabilities:				
Due Within One Year	1,831,759	3,301	882,000	0
Due in More Than One Year (net of deferred amount on refunding and unamortized premium on debt)	20,781,755	943,976	14,315,000	0
Total Liabilities	<u>\$ 27,339,231</u>	<u>\$ 5,478,945</u>	<u>\$ 21,363,891</u>	<u>\$ 18,903</u>

(Continued)

Exhibit A

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

	Primary Governmental Activities	Component Units		
		Henry County School Department	Henry County Medical Center	Henry County Emergency Communications District
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	\$ 25,446,715	\$ 0	\$ 24,017,904	\$ 0
Invested in Capital Assets	0	25,377,804	0	293,732
Restricted for:				
Resort District	243,167	0	0	0
Solid Waste/Sanitation	343,280	0	0	0
Drug Control	272,519	0	0	0
Highway/Public Works	2,202,229	0	0	0
Debt Service	3,037,219	0	0	0
Capital Projects	498,819	0	0	0
Career Ladder Program	0	88,055	0	0
Basic Education Program	0	50,852	0	0
Central Cafeteria	0	509,971	0	0
Other Purposes	49,720	128,807	0	0
Unrestricted	(15,940,254)	2,965,437	28,230,225	844,208
Total Net Assets	<u>\$ 16,153,414</u>	<u>\$ 29,120,926</u>	<u>\$ 52,248,129</u>	<u>\$ 1,137,940</u>

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

Exhibit B

Henry County, Tennessee
 Statement of Activities
 For the Year Ended June 30, 2009

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets									
	Program Revenues					Component Units				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Henry County School Department	Henry County Medical Center	Henry County Emergency Communications District		
Primary Government:										
Governmental Activities:										
General Government	\$ 844,672	\$ 278,193	\$ 18,912	\$ 0	\$ (547,567)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	1,035,393	920,431	15,736	0	(99,226)	0	0	0	0	0
Administration of Justice	1,292,462	680,180	9,300	0	(602,982)	0	0	0	0	0
Public Safety	4,182,888	1,252,086	89,691	34,895	(2,806,216)	0	0	0	0	0
Public Health and Welfare	1,609,834	213,484	77,910	13,172	(1,305,268)	0	0	0	0	0
Social, Cultural, and Recreational Services	297,954	0	38,060	0	(259,894)	0	0	0	0	0
Agriculture and Natural Resources	189,846	0	0	0	(189,846)	0	0	0	0	0
Other Operations	1,653,132	256,602	1,462,701	9,081	75,252	0	0	0	0	0
Highways	5,356,398	122,157	1,909,843	85,969	(3,238,429)	0	0	0	0	0
Interest on Long-term Debt	910,720	0	0	0	(910,720)	0	0	0	0	0
Other Debt Service	29,389	0	1,549,354	0	1,519,965	0	0	0	0	0
Total Primary Government	\$ 17,402,688	\$ 3,723,133	\$ 5,171,507	\$ 143,117	\$ (8,364,931)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Component Units:										
Henry County School Department	\$ 29,339,575	\$ 779,859	\$ 3,834,878	\$ 0	0	\$ (24,724,838)	\$ 0	\$ 0	\$ 0	\$ 0
Henry County Medical Center	66,526,225	64,463,729	0	0	0	0	(2,062,496)	0	0	0
Henry County Emergency Communications District	296,573	345,291	10,000	0	0	0	0	0	58,718	58,718
Total Component Units	\$ 96,162,373	\$ 65,588,879	\$ 3,844,878	\$ 0	\$ 0	\$ (24,724,838)	\$ (2,062,496)	\$ 0	\$ 58,718	\$ 58,718

(Continued)

Exhibit B

Henry 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 Governmental Activities	Component Units		
					Henry County School Department	Henry County Medical Center	Henry County Emergency Communications District
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes				\$ 4,430,981	\$ 4,385,935	\$ 0	\$ 0
Property Taxes Levied for Debt Service				141,413	0	0	0
Local Option Sales Taxes				593,669	2,659,557	0	0
Hotel/Motel Tax				226,279	0	0	0
Wheel Tax				973,100	0	0	0
Litigation Tax - General				131,074	0	0	0
Business Tax				120,791	0	0	0
Wholesale Beer Tax				446,333	0	0	0
Other Local Taxes				45,888	118,008	0	0
Grants and Contributions Not Restricted to Specific Programs				683,665	15,489,101	0	0
Unrestricted Investment Income				218,357	70,744	293,789	16,177
Miscellaneous				13,229	142,168	1,312,581	0
Gain on Disposal of Capital Assets				3,081	0	0	0
Total General Revenues				\$ 8,027,860	\$ 22,865,513	\$ 1,606,370	\$ 16,177
Change in Net Assets				\$ (337,071)	\$ (1,859,325)	\$ (456,126)	\$ 74,895
Net Assets, July 1, 2008				16,176,264	30,980,251	52,704,255	1,063,045
Prior-period Adjustment				314,221	0	0	0
Net Assets, June 30, 2009				\$ 16,153,414	\$ 29,120,926	\$ 52,248,129	\$ 1,137,940

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

Exhibit C-1

Henry County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2009

	Major Funds			Nonmajor	Total
	General	Highway /	General	Other	
		Public	Debt	Governmental	
	Works	Service	Funds	Governmental	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 13,429	\$ 13,429
Equity in Pooled Cash and Investments	3,116,769	1,271,140	3,015,773	1,057,824	8,461,506
Accounts Receivable	95,981	2,396	0	0	98,377
Due from Other Governments	550,623	379,650	0	10,963	941,236
Due from Other Funds	18,964	481,210	0	0	500,174
Property Taxes Receivable	2,769,071	1,661,442	151,040	302,080	4,883,633
Allowance for Uncollectible Property Taxes	(40,176)	(24,106)	(2,192)	(4,382)	(70,856)
Cash Shortage	49,913	0	0	43,780	93,693
Total Assets	<u>\$ 6,561,145</u>	<u>\$ 3,771,732</u>	<u>\$ 3,164,621</u>	<u>\$ 1,423,694</u>	<u>\$ 14,921,192</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 11,595	\$ 0	\$ 0	\$ 0	\$ 11,595
Contracts Payable	29,193	0	0	0	29,193
Retainage Payable	1,537	0	0	0	1,537
Due to Other Funds	0	3,750	0	15,214	18,964
Deferred Revenue - Current Property Taxes	2,600,591	1,560,354	141,850	283,701	4,586,496
Deferred Revenue - Delinquent Property Taxes	119,953	71,907	6,530	13,086	211,476
Other Deferred Revenues	241,317	166,941	0	0	408,258
Total Liabilities	<u>\$ 3,004,186</u>	<u>\$ 1,802,952</u>	<u>\$ 148,380</u>	<u>\$ 312,001</u>	<u>\$ 5,267,519</u>
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 105,534	\$ 0	\$ 0	\$ 4,995	\$ 110,529
Reserved for Resort District	202,963	0	0	0	202,963
Reserved for Purchase of Electronic Fingerprint Imaging System	0	0	0	10,161	10,161
Reserved for Alcohol and Drug Treatment	37,259	0	0	0	37,259
Reserved for Sexual Offender Registration	2,300	0	0	0	2,300
Unreserved, Reported In:					
General Fund	3,208,903	0	0	0	3,208,903
Special Revenue Funds	0	1,968,780	0	602,713	2,571,493
Debt Service Fund	0	0	3,016,241	0	3,016,241
Capital Projects Fund	0	0	0	493,824	493,824
Total Fund Balances	<u>\$ 3,556,959</u>	<u>\$ 1,968,780</u>	<u>\$ 3,016,241</u>	<u>\$ 1,111,693</u>	<u>\$ 9,653,673</u>
Total Liabilities and Fund Balances	<u>\$ 6,561,145</u>	<u>\$ 3,771,732</u>	<u>\$ 3,164,621</u>	<u>\$ 1,423,694</u>	<u>\$ 14,921,192</u>

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

Exhibit C-2

Henry County, Tennessee

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

June 30, 2009

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)		\$	9,653,673
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	5,034,256	
Add: construction in progress		871,182	
Add: buildings and improvements net of accumulated depreciation		3,979,334	
Add: infrastructure net of accumulated depreciation		17,895,763	
Add: other capital assets net of accumulated depreciation		<u>631,564</u>	28,412,099
(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	\$	(2,085,438)	
Less: other loans payable		(2,528,098)	
Less: bonds payable		(15,917,621)	
Add: deferred charges - debt issuance costs		178,318	
Add: deferred amount on refunding		111,344	
Less: other deferred revenue - premium on debt		(4,153)	
Less: accrued interest on notes and bonds		(96,896)	
Less: accreted interest on bonds		(1,839,212)	
Less: other postemployment benefits liability		(5,399)	
Less: compensated absences payable		<u>(344,937)</u>	(22,532,092)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>619,734</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>16,153,414</u></u>

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

Exhibit C-3

Henry County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
Revenues					
Local Taxes	\$ 4,510,088	\$ 1,648,687	\$ 730,731	\$ 300,855	\$ 7,190,361
Licenses and Permits	130,096	0	0	0	130,096
Fines, Forfeitures, and Penalties	270,773	0	0	52,981	323,754
Charges for Current Services	98,290	0	0	0	98,290
Other Local Revenues	367,581	122,460	219,142	180,094	889,277
Fees Received from County Officials	1,466,271	0	0	0	1,466,271
State of Tennessee	2,948,142	1,943,471	0	104,155	4,995,768
Federal Government	310,694	38,371	0	0	349,065
Other Governments and Citizens Groups	96,154	5,000	1,548,882	5,976	1,656,012
Total Revenues	\$ 10,198,089	\$ 3,757,989	\$ 2,498,755	\$ 644,061	\$ 17,098,894
Expenditures					
Current:					
General Government	\$ 957,651	\$ 0	\$ 0	\$ 0	\$ 957,651
Finance	776,610	0	0	0	776,610
Administration of Justice	847,307	0	0	0	847,307
Public Safety	3,232,949	0	0	59,776	3,292,725
Public Health and Welfare	171,331	0	0	462,676	634,007
Social, Cultural, and Recreational Services	248,405	0	0	0	248,405
Agriculture and Natural Resources	180,355	0	0	0	180,355
Other Operations	3,587,529	0	11,713	5,863	3,605,105
Highways	0	3,590,786	0	0	3,590,786
Debt Service:					
Principal on Debt	0	50,000	1,990,824	0	2,040,824
Interest on Debt	0	1,934	633,230	0	635,164
Other Debt Service	0	0	14,395	0	14,395
Capital Projects	0	0	0	1,686,009	1,686,009
Total Expenditures	\$ 10,002,137	\$ 3,642,720	\$ 2,650,162	\$ 2,214,324	\$ 18,509,343
Excess (Deficiency) of Revenues Over Expenditures					
	\$ 195,952	\$ 115,269	\$ (151,407)	\$ (1,570,263)	\$ (1,410,449)
Other Financing Sources (Uses)					
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 1,240,360	\$ 1,240,360
Insurance Recovery	11,775	38,634	0	0	50,409
Transfers In	0	430,243	100,000	0	530,243
Transfers Out	(530,243)	0	0	0	(530,243)
Total Other Financing Sources (Uses)	\$ (518,468)	\$ 468,877	\$ 100,000	\$ 1,240,360	\$ 1,290,769
Net Change in Fund Balances					
	\$ (322,516)	\$ 584,146	\$ (51,407)	\$ (329,903)	\$ (119,680)
Fund Balance, July 1, 2008	3,879,475	1,384,634	3,067,648	1,441,596	9,773,353
Fund Balance, June 30, 2009	\$ 3,556,959	\$ 1,968,780	\$ 3,016,241	\$ 1,111,693	\$ 9,653,673

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

Exhibit C-4

Henry County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2009

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)		\$ (119,680)
<p>(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:</p>		
Add: capital assets purchased in the current period	\$ 1,528,629	
Less: current year depreciation expense	<u>(2,175,373)</u>	(646,744)
<p>(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.</p>		
Add: gain on disposal of capital assets	\$ 2,596	
Less: proceeds received from the disposal of capital assets	<u>(12,260)</u>	(9,664)
<p>(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2009	\$ 619,734	
Less: deferred delinquent property taxes and other deferred June 30, 2008	<u>(641,223)</u>	(21,489)
<p>(4) The issuance of long-term debt (e.g. notes, other loans, bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Less: note proceeds	\$ (1,240,360)	
Add: change in premium on debt issuances	472	
Less: change in deferred debt issuance costs	(14,994)	
Less: change in deferred amount on refunding debt	(20,654)	
Add: principal payments on notes	471,384	
Add: principal payments on other loans	638,700	
Add: principal payments on bonds	<u>930,740</u>	765,288
<p>(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.</p>		
Change in accrued interest on notes and bonds	\$ 631	
Change in accreted interest on bonds	(255,533)	
Change in compensated absences payable	(46,498)	
Change in other postemployment benefits liability	<u>(3,382)</u>	(304,782)
Change in net assets of governmental activities (Exhibit B)		<u>\$ (337,071)</u>

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

Exhibit D

Henry County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2009

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 890,559
Equity in Pooled Cash and Investments	422,646
Due from Other Governments	860,096
Property Taxes Receivable	3,349,962
Allowance for Uncollectible Property Taxes	<u>(48,294)</u>
Total Assets	<u>\$ 5,474,969</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 4,359,177
Due to Litigants, Heirs, and Others	890,559
Due to Joint Ventures	<u>225,233</u>
Total Liabilities	<u>\$ 5,474,969</u>

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

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HENRY COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

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

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

the School Department are included in this report as listed in the table of contents. Complete financial statements of the Henry County Medical Center and the Henry County Emergency Communications District can be obtained from their respective administrative offices at the following addresses:

Administrative Offices:

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Henry County reports the following major governmental funds:

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

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

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

Additionally, Henry County reports the following fund types:

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Henry County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service Fund and the discretely presented School Department's General Purpose School Fund. Henry County and the 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 .8 percent of total taxes levied.

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

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

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

for collection are not included in taxes receivable since they are neither measurable nor available.

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

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

3. Capital Assets

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

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

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

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

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

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

4. **Compensated Absences**

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

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

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

5. **Long-term Obligations**

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

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

withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

The government-wide Statement of Net Assets reports \$6,646,955 of restricted net assets for the primary government, of which \$243,167 is restricted by enabling legislation.

At June 30, 2009, Henry County had \$2,613,684 in outstanding debt for capital purposes for the discretely presented Henry County School Department. The debt is a liability of Henry County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Henry County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

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

7. Prior-period Adjustment

The City of Paris and Henry County entered into an interlocal agreement establishing joint ownership of the Paris – Henry County Landfill. It has been determined by Tennessee Department of Environment and Conservation officials that the old Class I landfill was closed under old rules and was not subject to closure/postclosure costs. In addition, due to a change in the estimate for closure costs, there will no longer be a liability reflected for the remaining Class III and IV landfills. Therefore the prior-year landfill liability of \$314,221 has been removed.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Assets

Primary Government

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds to the government-wide Statement of Net Assets.

Discretely Presented Henry County School Department

Exhibit I-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds to the government-wide Statement of Net Assets.

B. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities

Primary Government

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

Discretely Presented Henry County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

B. Fund Deficit

The discretely presented School Department's School Federal Projects Fund had a deficit in unreserved fund balance of \$78,076 at June 30, 2009. This deficit resulted from \$87,624 being reserved as an encumbrance for the purchase of a school bus. This deficit was liquidated when grant funds were requested and received subsequent to June 30, 2009.

C. Prior-Year Cash Shortage

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

\$71,512. This amount is net of estimated auction proceeds of items recovered from David Bumpus. The actual auction proceeds received during the 2008-09 year totaled \$12,205. During the current audit period, David Bumpus paid \$581, Faye Scott paid \$9,073, and Jason Ferren paid \$19,854, toward liquidating the cash shortage. Also, a payment of \$25,000 was received from David Bumpus' official bond. As of June 30, 2009, the cash shortage totaled \$93,693, which included the General (\$49,913), Drug Control (\$23,502), and General Capital Projects (\$20,278) funds.

D. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the Preservation of Records and Airport major appropriation categories (the legal level of control) of the General Fund by \$154 and \$10,025, respectively. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Henry County and the Henry County School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, 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; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county’s own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer’s Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase.

The county had no pooled or nonpooled investments as of June 30, 2009.

B. Capital Assets

Capital assets activity for the year ended June 30, 2009, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-08	Increases	Decreases	Balance 6-30-09
Capital Assets Not Depreciated:				
Land	\$ 5,014,534	\$ 22,440	\$ (2,718)	\$ 5,034,256
Construction in Progress	0	871,182	0	871,182
Total Capital Assets Not Depreciated	<u>\$ 5,014,534</u>	<u>\$ 893,622</u>	<u>\$ (2,718)</u>	<u>\$ 5,905,438</u>

Governmental Activities (Cont.):

	Balance 7-1-08	Increases	Decreases	Balance 6-30-09
Capital Assets				
Depreciated:				
Buildings and				
Improvements	\$ 7,502,505	\$ 183,804	\$ 0	\$ 7,686,309
Infrastructure	37,234,791	147,000	0	37,381,791
Other Capital Assets	3,345,094	304,203	(68,851)	3,580,446
Total Capital Assets				
Depreciated	<u>\$ 48,082,390</u>	<u>\$ 635,007</u>	<u>\$ (68,851)</u>	<u>\$ 48,648,546</u>
Less Accumulated				
Depreciation For:				
Buildings and				
Improvements	\$ 3,437,071	\$ 269,904	\$ 0	\$ 3,706,975
Infrastructure	17,845,783	1,640,245	0	19,486,028
Other Capital Assets	2,745,563	265,224	(61,905)	2,948,882
Total Accumulated				
Depreciation	<u>\$ 24,028,417</u>	<u>\$ 2,175,373</u>	<u>\$ (61,905)</u>	<u>\$ 26,141,885</u>
Total Capital Assets				
Depreciated, Net	<u>\$ 24,053,973</u>	<u>\$ (1,540,366)</u>	<u>\$ (6,946)</u>	<u>\$ 22,506,661</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 29,068,507</u>	<u>\$ (646,744)</u>	<u>\$ (9,664)</u>	<u>\$ 28,412,099</u>

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

Governmental Activities:

Finance	\$ 1,056
Public Safety	296,820
Public Health and Welfare	89,717
Social, Cultural, and Recreational Services	2,094
Other Operations	79,536
Highways	<u>1,706,150</u>
Total Depreciation Expense -	
Governmental Activities	<u>\$ 2,175,373</u>

Discretely Presented Henry County School Department

Governmental Activities:

	Balance 7-1-08	Increases	Decreases	Balance 6-30-09
Capital Assets Not Depreciated:				
Land	\$ 610,066	\$ 0	\$ 0	\$ 610,066
Construction in Progress	174,900	0	(174,900)	0
Total Capital Assets Not Depreciated	\$ 784,966	\$ 0	\$ (174,900)	\$ 610,066
Capital Assets Depreciated:				
Buildings and Improvements	\$ 43,210,323	\$ 245,116	\$ 0	\$ 43,455,439
Other Capital Assets	3,855,683	28,222	(48,845)	3,835,060
Total Capital Assets Depreciated	\$ 47,066,006	\$ 273,338	\$ (48,845)	\$ 47,290,499
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 18,322,055	\$ 1,622,938	\$ 0	\$ 19,944,993
Other Capital Assets	2,280,502	331,243	(33,977)	2,577,768
Total Accumulated Depreciation	\$ 20,602,557	\$ 1,954,181	\$ (33,977)	\$ 22,522,761
Total Capital Assets Depreciated, Net	\$ 26,463,449	\$ (1,680,843)	\$ (14,868)	\$ 24,767,738
Governmental Activities Capital Assets, Net	\$ 27,248,415	\$ (1,680,843)	\$ (189,768)	\$ 25,377,804

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

Governmental Activities:

Instruction	\$ 1,590,515
Support Services	299,946
Operation of Non-Instructional Services	63,720
Total Depreciation Expense - Governmental Activities	\$ 1,954,181

C. Construction Commitments

At June 30, 2009, the county had uncompleted construction contracts of approximately \$69,186 for an airport improvement project. Funding for these future expenditures is expected to be received from state grants.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2009, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Highway/Public Works	\$ 3,750
General	Nonmajor governmental	15,214
Highway/Public Works	General	481,210
Discretely Presented School Department:		
General Purpose School	Nonmajor governmental	8,925

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

The receivable in the Highway/Public Works Fund (\$481,210) was in transit from the General Fund at June 30, 2009.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2009, consisted of the following amounts:

Primary Government

Transfers Out	Transfers In	
	Highway/ Public Works Fund	General Debt Service Fund
General Fund	\$ 430,243	\$ 100,000
Total	<u>\$ 430,243</u>	<u>\$ 100,000</u>

Discretely Presented Henry County School Department

	Transfer In
Transfer Out	General Purpose School Fund
Nonmajor governmental funds	\$ 2,797

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

E. Long-term Debt

Primary Government

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 22 years for bonds, up to ten years for notes, and up to 19 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in the long-term debt as of June 30, 2009, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2009, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-09
General Obligation Bonds	4.25 to 4.6%	\$ 6,600,000	\$ 6,600,000
General Obligation Bonds - Refunding	3 to 3.85	5,790,000	5,645,000
Capital Accretion Bonds	4.6 to 5.2	3,693,361	3,672,621
Other Loans	variable	7,944,998	2,528,098
Capital Outlay Notes	0 to 5.125	2,529,872	2,085,438

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

In prior years, Henry County entered into two loan agreements with the Montgomery County Public Building Authority. Under these loan agreements, the authority loaned \$3,000,000 and \$4,944,998 to Henry County for various renovation and construction projects. These loans are repayable at interest rates that are tax-exempt variable rates determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with these loans. At June 30, 2009, the variable interest rates were .32 percent, on both loans, and other fees amounted to approximately .4 percent (.25 percent letter of credit and .15 percent remarketing) for both loans, of the outstanding loan principal. Each loan is also assessed an annual trustee fee of \$1,020.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2009, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2010	\$ 822,174	\$ 655,311	\$ 1,477,485
2011	823,931	651,817	1,475,748
2012	827,438	650,922	1,478,360
2013	835,447	643,663	1,479,110
2014	840,341	638,644	1,478,985
2015-2019	4,620,862	3,858,863	8,479,725
2020-2024	6,547,428	2,247,757	8,795,185
2025	600,000	27,600	627,600
Total	\$ 15,917,621	\$ 9,374,577	\$ 25,292,198

Year Ending June 30	Notes		
	Principal	Interest	Total
2010	\$ 268,111	\$ 29,428	\$ 297,539
2011	347,411	21,612	369,023
2012	257,410	15,226	272,636
2013	257,410	12,740	270,150
2014	257,410	10,253	267,663
2015-2019	697,686	19,848	717,534
Total	\$ 2,085,438	\$ 109,107	\$ 2,194,545

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2010	\$ 566,400	\$ 7,306	\$ 9,132	\$ 582,838
2011	595,800	5,494	6,867	608,161
2012	625,600	3,587	4,484	633,671
2013	263,098	1,585	1,981	266,664
2014	232,200	743	929	233,872
2015	245,000	1,527	1,909	248,436
Total	\$ 2,528,098	\$ 20,242	\$ 25,302	\$ 2,573,642

There is \$3,016,241 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$512, based on the 2000 federal census. Debt per capita, including bonds, notes, and other loans totaled \$660, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the primary government for the year ended June 30, 2009, was as follows:

Governmental Activities:

	Bonds	Notes	Accreted Interest
Balance, July 1, 2008	\$ 16,848,361	\$ 1,316,462	\$ 1,583,679
Additions	0	1,240,360	264,793
Deductions	(930,740)	(471,384)	(9,260)
Balance, June 30, 2009	\$ 15,917,621	\$ 2,085,438	\$ 1,839,212
Balance Due Within One Year	\$ 822,174	\$ 268,111	\$ 157,826

	Other Loans	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2008	\$ 3,166,798	\$ 298,439	\$ 2,017
Additions	0	303,273	11,770
Deductions	(638,700)	(256,775)	(8,388)
Balance, June 30, 2009	\$ 2,528,098	\$ 344,937	\$ 5,399
Balance Due Within One Year	\$ 566,400	\$ 17,248	\$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2009	\$ 22,720,705
Less: Balance Due Within One Year	(1,831,759)
Less: Deferred Amount on Refunding	(111,344)
Add: Unamortized Premium on Debt	4,153
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 20,781,755</u>

Compensated absences and other postemployment benefits will be paid from the employing funds, primarily the General and Highway/Public Works funds.

Discretely Presented Henry County School Department

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Henry County School Department for the year ended June 30, 2009, was as follows:

Governmental Activities:

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2008	\$ 68,052	\$ 425,695
Additions	50,340	680,156
Deductions	(52,391)	(224,575)
Balance, June 30, 2009	<u>\$ 66,001</u>	<u>\$ 881,276</u>
Balance Due Within One Year	<u>\$ 3,301</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2009	\$ 947,277
Less: Balance Due Within One Year	<u>(3,301)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 943,976</u>

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

F. On-Behalf Payments – Discretely Presented Henry County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Henry 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, 2009, were \$125,567 and \$22,243, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. OTHER INFORMATION

A. Risk Management

The county and the discretely presented Henry County School Department are exposed to various risks related to general liability, property, casualty, workers' compensation, health, and accident losses. Henry County and the discretely presented School Department decided it was more economically

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

Henry County (except for Highway and School Department employees) purchases commercial insurance for the risk associated with employee health coverage. Pre-65 age retirees are not allowed to remain in the program. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The Henry County Highway Department 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.

The discretely presented Henry 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.

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations; and Statement No. 52, Land and Other Real Estate Held as Investments by Endowments became effective for the year ended June 30, 2009.

GASB Statement No. 49 requires county governments to measure and report their pollution remediation liabilities. A county has a pollution remediation

problem if one of five obligating events occurs. The statement requires governments to restate beginning net assets in government-wide and proprietary fund financial statements for pollution remediation liabilities that existed as of July 1, 2008. Previous to Statement No. 49, counties were not required to measure and record pollution remediation liabilities. GASB Statement No. 49 had no effect on the financial statements of Henry County for the year ended June 30, 2009, since the county had none of the obligating events. However, it is reasonably expected that Henry County could have pollution remediation liabilities in subsequent years.

GASB Statement No. 52 requires endowments to report land and other real estate investments at fair value. Previous to Statement No. 52, land and other real estate held by endowments were reported at historical cost. Changes in fair value between years will be reported as investment income (loss). GASB Statement No. 52 had no effect on the financial statements of Henry County for the year ended June 30, 2009, since the county had no endowment investments. However, it is reasonably expected that Henry County could have endowment investments in subsequent years.

C. Subsequent Events

On August 18, 2009, Henry County issued a \$2,800,000 Public Building Authority Loan Agreement for public works projects.

On September 21, 2009, Henry County issued capital outlay notes totaling \$233,715 for various capital projects.

On November 4, 2009, Henry County issued capital outlay notes totaling \$426,000 to finance the cost of the Emergency Services Complex at Paris Landing State Park.

On January 20, 2010, Henry County issued \$2,500,000 in general obligation school bonds for various school projects.

D. Contingent Liabilities

The Henry County Medical Center has entered into loan agreements with the Montgomery County Public Building Authority. Under these loan agreements, the authority loaned proceeds of \$4,500,000 and \$16,500,000 to the medical center. The medical center has used the loan proceeds for construction, acquisition, and/or enlargement of its buildings, structures, and facilities. As of June 30, 2009, the medical center had \$1,219,000 and \$13,978,000 outstanding on these loans. Henry County would become liable for the repayment of these loans in the event of default by the medical center.

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

E. Joint Ventures

The Twenty-fourth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twenty-fourth Judicial District; Benton, Carroll, Decatur, Hardin, and Henry counties; and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney, sheriffs, and police chiefs of participating law enforcement agencies within the judicial district. Henry County made no contributions to the DTF for the year ended June 30, 2009, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

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

The W.G. Rhea Paris – Henry County Library is a regional library owned by Henry County and the City of Paris and operated by the W.G. Rhea Paris – Henry County Library Board. The board includes seven members, four appointed by the Henry County Commission and three appointed by the City of Paris. Henry County has control over budgeting and financing the joint venture only to the extent of representation by the four board members appointed and is responsible for funding 50 percent of any deficits from operations. Henry County contributed \$114,350 to the operations of the board during the year ended June 30, 2009. Complete financial statements for the W.G. Rhea Paris – Henry County Library can be obtained from the County Clerk’s Office or the library board’s administrative office at the following address:

Administrative Office:

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

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

County Commission. The county mayors of each county serve as members and rotate every two years as chairman. Complete financial statements for the Carroll - Henry County Railroad Authority can be obtained from the Henry County Mayor's Office.

The Paris-Henry County Industrial Development Committee is a joint venture formed by an interlocal agreement between the city of Paris, Henry County, and the Paris-Henry County Chamber of Commerce. The purpose of the Industrial Development Committee is to provide for the planning, direction, and oversight of economic development for the City of Paris and Henry County. The committee is comprised of the director of economic development, the chief executive of the county or other designee, the mayor of Paris or other designee, one city commissioner, two county commissioners, the city manager of the City of Paris, and the current president of the chamber of commerce. Henry County contributed \$55,000 to the Industrial Development Committee for the year ended June 30, 2009, and does not have an equity interest in this joint venture. Complete financial statements for the Industrial Development Committee can be obtained from its administrative office at the following address:

Administrative Office:

Paris-Henry County Industrial Development Committee
2508 E. Wood Street
Paris, TN 38242

F. Retirement Commitments

Employees

Plan Description

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

Henry County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

Henry County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2009, was 7.59 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Henry County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2009, Henry County's annual pension cost of \$2,285,809 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2007, 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. Henry County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007, was eight 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
6-30-09	\$2,285,809	100%	\$0
6-30-08	2,190,457	100	0
6-30-07	2,088,222	100	0

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 89.39 percent funded. The actuarial accrued liability for benefits was \$61.01 million, and the actuarial value of assets was \$54.54 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$6.47 million. The covered payroll (annual payroll of active employees covered by the plan) was \$27.43 million, and the ratio of the UAAL to the covered payroll was 23.59 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 Henry County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service.

Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at 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 Henry County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2009, was 6.42 percent of annual covered payroll. The employer contribution requirement for the Henry County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2009, 2008, and 2007, were \$771,221, \$721,369, and \$663,647, respectively, equal to the required contributions for each year.

G. Other Postemployment Benefits (OPEB)

Plan Description

The Henry County Highway Department and the Henry 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 local education employees. 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://tn.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 a 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. The School Department makes a contribution toward the health insurance premium of the group medical plan for all certified employees that meet length of employment criteria of ten years of service with the Henry County School System and a total of 25 years teaching experience. The School Department pays medical insurance in full for a single individual for a maximum of ten years or until Medicare becomes available. During the year ended June 30, 2009, the Henry County Highway Department and the discretely presented Henry County School Department contributed \$8,300 and \$205,930, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Government Group Plan	Local Education Group Plan
ARC	\$ 11,679	\$ 661,000
Interest on the NPO	91	19,156
Adjustment to the ARC	(88)	(18,645)
Annual OPEB cost	\$ 11,682	\$ 661,511
Less: Amount of contribution	(8,300)	(205,930)
Increase/decrease in NPO	\$ 3,382	\$ 455,581
Net OPEB obligation, 7-1-08	2,017	425,695
Net OPEB obligation, 6-30-09	\$ 5,399	\$ 881,276

Fiscal Year Ended*	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-08	Local Government Group	\$ 11,107	82 %	\$ 2,017
6-30-09	"	11,682	71	5,399
6-30-08	Local Education Group	653,000	35	425,695
6-30-09	"	661,511	31	881,276

* Data only available for two years.

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2009, was as follows:

	Local Government Group Plan	Local Education Group Plan
Actuarial valuation date	7-1-07	7-1-07
Actuarial accrued liability (AAL)	\$ 74,274	\$ 6,224,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 74,274	\$ 6,224,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 233,693	\$ 10,460,577
UAAL as a % of covered payroll	6%	59%

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 July 1, 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.

H. Purchasing Laws

Office of County Mayor

Purchasing procedures for the County Mayor's Office are governed by provisions of the County Purchasing Law of 1983, Section 5-14-201, Tennessee Code Annotated (TCA), which provides for purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.

Office of County Road Supervisor

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

Office of Director of Schools

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

VI. OTHER NOTES – DISCRETELY PRESENTED HENRY COUNTY MEDICAL CENTER

A. Nature of Operations

The Henry County Medical Center is a political subdivision of Henry County, Tennessee. The medical center provides comprehensive healthcare services through the operation of an acute care hospital, nursing home (healthcare center), home health agency (HHA), and emergency medical services agency (EMS). It is governed by a Board of Trustees under the authority of the Henry County Commission and the Henry County Hospital District. The Henry County Commission appoints the Board of Trustees of the medical

center, which may not issue debt without the county's approval. Under accounting principles generally accepted in the United States of America, the medical center constitutes a component unit of the county for financial reporting purposes.

B. Summary of Significant Accounting Policies

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

1. Basis of Presentation

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

2. Inventories

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

3. Assets Limited as to Use

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

4. Cash, Cash Equivalents, and Investments

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

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

medical center's cash, cash equivalents, and certificates of deposit are insured or collateralized by securities held by the financial institutions' trust department in the medical center's name.

At June 30, 2009, the total carrying value of the medical center's cash, cash equivalents, and investments, including assets limited as to use, was \$21,230,649, and the bank balance was \$21,518,093. The entire financial institution balance was covered by federal depository insurance or by collateral held by the trustee in the medical center's name.

A 50 percent interest in a joint venture that provides cancer care services in the Henry County area is included in long-term investments on the accompanying balance sheet. This investment is accounted for under the equity method. The investment balance included in long-term investments is \$687,112 at June 30, 2009.

5. Fair Value Measurements

The medical center adopted Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157). This pronouncement provides guidance for using fair value to measure assets and liabilities. It also expands disclosures required for fair value measurements. SFAS 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value and does not expand the use of fair value in any new circumstances. SFAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under SFAS 157 are described below.

Basis of Fair Value Measurement

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly;
- Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. While a majority of the medical center's assets whose

use is limited and investments are cash equivalents, the medical center has approximately \$5,000,000 in certificates of deposit that would be classified as Level 2 under the hierarchy above.

6. Property and Equipment

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

7. Patient Service Revenue

The medical center has agreements with third-party payors that provide for payments to the medical center at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Patient service revenue is net of contractual adjustments and policy discounts of approximately \$92 million for the year ended June 30, 2009. For the year ended June 30, 2009, approximately 45 percent of net patient service revenue was from Medicare and approximately 12 percent was from Medicaid/TennCare.

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

8. Costs of Borrowing

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

9. Pension Plan

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

10. Compensated Absences

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

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

11. Risk Management

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

12. Net Assets

All resources that are not restricted by donors are included in unrestricted net assets. Resources temporarily restricted by donors for specific purposes are reported as temporarily restricted net assets. When specific purposes are achieved, either through passage of a stipulated time or the purpose for restriction is accomplished, they are classified to unrestricted net assets and reported in the Statement of Revenues, Expenses, and Changes in Net Assets. Resources temporarily restricted by donors for additions to land, building, and equipment are initially reported as temporarily restricted net assets and are transferred to unrestricted net assets when expended. Donor-imposed restrictions, which stipulate that the resources be maintained permanently, are reported as permanently restricted net assets. Investment income for the permanently restricted net assets is classified as either temporarily restricted or unrestricted based on the

intent of the donor. At June 30, 2009, there were no permanently or temporarily restricted net assets.

13. Income Taxes

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

14. Performance Indicator

Excess of revenue over expenses reflected in the accompanying Statement of Revenue, Expenses, and Changes in Net Assets is a performance indicator.

15. Long-lived Assets

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

16. Use of Estimates

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

17. Events Occurring After Reporting Date

The medical center has evaluated events and transactions that occurred between June 30, 2009, and September 18, 2009, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

C. Third Party Reimbursement Programs

The medical center receives revenue under various third party reimbursement programs, which include Medicare, TennCare, and other third-party payors. Contractual adjustments under third party reimbursement programs represent the difference between the medical center's billings at its established rates and the amounts reimbursed by third-party payors. They also include any differences between estimated third party reimbursement settlements for

prior years and subsequent tentative or final settlements. The adjustments resulting from tentative or final settlements to estimated reimbursement amounts resulted in an increase to revenue of approximately \$314,000 for the year ended June 30, 2009.

1. Medicare

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

2. Medicaid

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

3. TennCare

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

4. Commercial Payors

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

5. Credit Concentration

The medical center grants credit to patients and generally does not require collateral or other security in extending credit; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies. At June 30, 2009, the medical center had receivables from the federal government (Medicare) of approximately \$3.1 million and from Medicaid/TennCare of approximately \$1.05 million.

D. Charity Care

Charges excluded from revenue under the medical center's charity care policy were \$2,746,189 for the year ended June 30, 2009.

E. Inventories

A summary of inventories as of June 30, 2009, is as follows:

Medical stores	\$ 96,186
Dietary	34,486
Departmental	<u>1,704,245</u>
Total	<u>\$ 1,834,917</u>

F. Property and Equipment

The major classifications and changes in property and equipment as of and for the year ended June 30, 2009, are as follows:

	Balance 7-1-08	Additions/ Transfers	Placed in Service/ Retirements	Balance 6-30-09
Land	\$ 655,041	\$ 0	\$ 0	\$ 655,041
Land Improvements	1,217,875	0	0	1,217,875
Building and Improvements	46,577,903	870,874	0	47,448,777
Machinery and Equipment	24,500,435	2,324,515	(307,905)	26,517,045
Total	\$ 72,951,254	\$ 3,195,389	\$ (307,905)	\$ 75,838,738
Less Allowance for Depreciation and Amortization:				
Land Improvements	\$ (1,000,243)	\$ (44,073)	\$ 0	\$ (1,044,316)
Building and Improvements	(16,946,145)	(1,764,071)	0	(18,710,216)
Machinery and Equipment	(14,443,507)	(2,834,100)	278,788	(16,998,819)
Total	\$ (32,389,895)	\$ (4,642,244)	\$ 278,788	\$ (36,753,351)
Subtotal	\$ 40,561,359	\$ (1,446,855)	\$ (29,117)	\$ 39,085,387
Construction in Progress	292,062	1,364,629	(1,527,174)	129,517
Total Capital Assets, Net	\$ 40,853,421	\$ (82,226)	\$ (1,556,291)	\$ 39,214,904

The medical center is in the process of constructing various expansions and additions to the existing facilities. The total cost of these projects is expected to be approximately \$202,000. No interest costs were capitalized during the year ended June 30, 2009.

G. Long-term Debt

A schedule of changes in the medical center's long-term debt as of and for the year ended June 30, 2009, is as follows:

	Balance 7-1-08	Reductions	Balance 6-30-09	Amounts Due Within One Year
Public Building Authority of the County of Montgomery, Tennessee - Series 1997	\$ 1,584,000	\$ (365,000)	\$ 1,219,000	\$ 385,000
Public Building Authority of the County of Montgomery, Tennessee - Series 2002	14,451,000	(473,000)	13,978,000	497,000

	Balance 7-1-08	Reductions	Balance 6-30-09	Amounts Due Within One Year
Other Debt	\$ 10,476	\$ (10,476)	\$ 0	\$ 0
Total	\$ 16,045,476	\$ (848,476)	\$ 15,197,000	\$ 882,000

During September 1997, the medical center entered into a loan agreement with the Public Building Authority of the County of Montgomery, Tennessee, whereby, the authority loaned the medical center \$4,500,000 for the construction, acquisition, and enlargement of its buildings, structures, and facilities. As of June 30, 2009, the medical center had outstanding borrowings of \$1,219,000 under this agreement. The loan agreement bears interest at an adjustable rate (.48 percent as of June 30, 2009) and is due in annual installments varying between \$385,000 and \$428,000 through May 25, 2012. The adjustable interest rate is adjusted weekly as determined by the remarketing agent.

During June 2002, the medical center entered into an additional loan agreement with the Public Building Authority of the County of Montgomery, Tennessee, whereby, the authority agreed to loan the medical center up to \$16,500,000 for the construction, acquisition, and enlargement of its buildings and facilities. As of June 30, 2009, the medical center had outstanding borrowings of \$13,978,000 under this agreement. The loan agreement bears interest at an adjustable rate (.39 percent as of June 30, 2009) and is due in annual installments varying between \$497,000 and \$1,139,000 through May 25, 2027. The adjustable interest rate is adjusted daily as determined by the remarketing agent.

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

A summary of future maturities and interest of long-term debt, as of June 30, 2009, is as follows:

Year	Principal	Estimated Interest	Total Payments
2010	\$ 882,000	\$ 59,000	\$ 941,000
2011	928,000	55,000	983,000
2012	976,000	50,000	1,026,000
2013	575,000	47,000	622,000
2014	604,000	45,000	649,000
2015-2019	3,504,000	186,000	3,690,000
2020-2024	4,472,000	109,000	4,581,000
2025-2027	3,256,000	19,000	3,275,000
Total	\$ 15,197,000	\$ 570,000	\$ 15,767,000

H. Employee Benefit Plans

Pension Plan Description

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

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

I. Deferred Compensation Plan

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

J. Commitments and Contingencies

The medical center leases various equipment under operating lease agreements. Rent expense was \$805,806 in 2009.

A summary of future minimum payments under these equipment leases as of June 30, 2009, is as follows:

<u>Year</u>	<u>Amount</u>
2010	\$ 336,000
2011	335,000
2012	293,000
2013	83,000
2014	5,000
Total	<u>\$ 1,052,000</u>

The medical center maintains commercial insurance on a claims-made basis for medical malpractice liabilities. Insurance coverages are \$300,000 individually, and \$900,000 in the aggregate annually, which is consistent with current litigation settlement limitations established by the State of Tennessee for governmental entities. Management intends to maintain such coverages in the future. The medical center is involved in litigation arising in the ordinary course of business; however, management is of the opinion that insurance coverages are adequate to cover any potential losses on asserted claims. Management is unaware of any incidents that would ultimately result in a loss in excess of the medical center's insurance coverages.

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

Reserves included within accrued expenses related to employee medical and other healthcare benefits totaled \$800,000 in 2009. Reserves included within accrued expenses related to workers' compensation claims totaled \$584,867 in 2009.

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

The Centers for Medicare and Medicaid Services ("CMS") have implemented a Recovery Audit Contracts ("RAC") program. The purpose of the program is to reduce improper Medicare payments through the detection and recovery of overpayments. CMS has engaged subcontractors to perform these audits and they are being compensated on a contingency basis, which is based on the amount of overpayments that are recovered. Management expects the medical center to be subject to audit during 2010 or 2011. While management believes that all Medicare billings are proper and adequate support is maintained, certain aspects of Medicare billing, coding, and support are subject to interpretation and may be viewed differently by the RAC auditors. As the amount of any recovery is unknown, management has not recorded any reserves related to the RAC audit at this time.

The medical center serves as the guarantor on debt issued to the joint venture in which it holds a 50 percent interest (see Note B.4.). The balance of the debt as of June 30, 2009, was approximately \$250,000.

K. Functional Expenses

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

Healthcare services	\$ 42,879,175
General and administrative	<u>23,647,050</u>
Total	<u>\$ 66,526,225</u>

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

A. Nature of Activities and Summary of Significant Accounting Policies

1. Nature of Activities

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

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

2. Basis of Accounting and Financial Statement Presentation

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

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

3. Use of Estimates

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

4. Accounts Receivable

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

5. Budgetary Policies

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

6. Cash and Cash Equivalents

For purposes of the Statement of Net Assets and the Statement of Cash Flows, the district considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

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

7. Capital Assets

The district defines capital assets as assets with an initial cost of more than \$200 and an estimated useful life in excess of one year. Additions to capital assets are recorded at acquisition cost or estimated market value at the date of donation in the case of donated property. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from five to 40 years. Interest costs incurred on financing during the construction

or installation period of capital assets are capitalized as part of the cost of the assets. For the year under review, there were no interest costs capitalized.

8. Net Assets

Equity is classified as net assets. Net assets are categorized as invested in capital assets (net of related debt), restricted, and unrestricted.

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

Capital assets activity during the year was as follows:

	Balance 7-1-08	Additions	Disposals	Balance 6-30-09
Capital assets being depreciated:				
Furniture and fixtures	\$ 34,463	\$ 0	\$ (1,390)	\$ 33,073
Office equipment	12,410	2,441	(2,317)	12,534
Communications equipment	675,770	42,655	(1,204)	717,221
Vehicles	26,809	1,358	0	28,167
Total capital assets being depreciated	<u>\$ 749,452</u>	<u>\$ 46,454</u>	<u>\$ (4,911)</u>	<u>\$ 790,995</u>
Less accumulated depreciation:				
Furniture and fixtures	\$ 19,838	\$ 3,345	\$ (1,390)	\$ 21,793
Office equipment	8,247	1,276	(2,317)	7,206
Communications equipment	403,071	59,503	(1,204)	461,370
Vehicles	1,396	5,498	0	6,894
Total accumulated depreciation	<u>\$ 432,552</u>	<u>\$ 69,622</u>	<u>\$ (4,911)</u>	<u>\$ 497,263</u>
Total capital assets, net	<u><u>\$ 316,900</u></u>	<u><u>\$ (23,168)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 293,732</u></u>

9. Income Taxes

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

B. Deposits and Investments

Custodial Credit Risk – The district’s policies limit investments to those instruments allowed by applicable state laws. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105 percent of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the district’s agent in the district’s name, or by the Federal Reserve banks acting as third-party agents. As of June 30, 2009, all bank deposits were fully collateralized or insured.

C. Major Revenue Source

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

D. Risk Management

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

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**REQUIRED SUPPLEMENTARY
INFORMATION**

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Exhibit E-1

Henry County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2009

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 4,510,088	\$ 0	\$ 0	\$ 4,510,088	\$ 4,678,440	\$ 4,682,388	\$ (172,300)
Licenses and Permits	130,096	0	0	130,096	111,000	111,000	19,096
Fines, Forfeitures, and Penalties	270,773	0	0	270,773	303,200	312,200	(41,427)
Charges for Current Services	98,290	0	0	98,290	106,950	106,950	(8,660)
Other Local Revenues	367,581	0	0	367,581	407,296	418,489	(50,908)
Fees Received from County Officials	1,466,271	0	0	1,466,271	1,606,000	1,606,000	(139,729)
State of Tennessee	2,948,142	0	0	2,948,142	2,926,614	3,020,519	(72,377)
Federal Government	310,694	0	0	310,694	54,778	221,307	89,387
Other Governments and Citizens Groups	96,154	0	0	96,154	0	2,250	93,904
Total Revenues	\$ 10,198,089	\$ 0	\$ 0	\$ 10,198,089	\$ 10,194,278	\$ 10,481,103	\$ (283,014)
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 39,542	\$ 0	\$ 0	\$ 39,542	\$ 38,850	\$ 39,550	\$ 8
Board of Equalization	800	0	0	800	1,000	1,000	200
Other Boards and Committees	4,875	0	0	4,875	7,000	7,000	2,125
County Mayor/Executive	199,393	0	0	199,393	204,018	204,018	4,625
County Attorney	19,765	0	0	19,765	19,765	19,765	0
Election Commission	155,940	(1,094)	0	154,846	144,441	157,351	2,505
Register of Deeds	176,809	0	0	176,809	189,879	189,879	13,070
Building	77,963	0	0	77,963	85,103	85,103	7,140
County Buildings	153,586	0	0	153,586	167,000	167,000	13,414
Other General Administration	118,024	(233)	1,015	118,806	124,570	124,570	5,764
Preservation of Records	10,954	0	0	10,954	10,800	10,800	(154)

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Final		
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Finance</u>							
Accounting and Budgeting	\$ 87,563	\$ 0	\$ 0	\$ 87,563	\$ 91,178	\$ 91,178	\$ 3,615
Property Assessor's Office	200,759	0	0	200,759	207,443	207,443	6,684
Reappraisal Program	76,671	0	0	76,671	81,394	81,394	4,723
County Trustee's Office	185,661	0	0	185,661	188,217	188,592	2,931
County Clerk's Office	225,956	(767)	0	225,189	224,740	227,864	2,675
<u>Administration of Justice</u>							
Circuit Court	195,452	0	4,389	199,841	205,732	205,732	5,891
General Sessions Court	102,743	0	0	102,743	102,743	102,743	0
General Sessions Judge	184,983	0	446	185,429	221,479	208,735	23,306
Chancery Court	160,573	(634)	0	159,939	169,208	169,208	9,269
Juvenile Court	192,166	(450)	750	192,466	211,843	211,843	19,377
Other Administration of Justice	11,390	0	0	11,390	10,000	15,000	3,610
<u>Public Safety</u>							
Sheriff's Department	1,829,693	0	800	1,830,493	1,826,178	1,913,115	82,622
Special Patrols	75,877	0	0	75,877	80,000	80,000	4,123
Jail	1,169,572	(1,049)	995	1,169,518	1,231,045	1,226,845	57,327
Fire Prevention and Control	31,250	0	0	31,250	31,250	33,200	1,950
Rescue Squad	4,800	0	0	4,800	4,800	4,800	0
Other Emergency Management	80,294	0	0	80,294	109,700	156,689	76,395
County Coroner/Medical Examiner	41,463	(5,600)	0	35,863	36,200	41,200	5,337
<u>Public Health and Welfare</u>							
Local Health Center	109,724	(146)	0	109,578	124,484	124,484	14,906
Rabies and Animal Control	9,472	(2,055)	2,582	9,999	8,000	10,000	1
Maternal and Child Health Services	1,350	0	0	1,350	1,350	1,350	0

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Public Health and Welfare (Cont.)</u>							
Alcohol and Drug Programs	\$ 8,249	\$ 0	\$ 0	\$ 8,249	\$ 19,800	\$ 19,800	\$ 11,551
Crippled Children Services	2,660	0	0	2,660	2,660	2,660	0
Other Local Health Services	20,347	0	0	20,347	20,200	20,347	0
Sanitation Management	19,529	0	0	19,529	18,000	20,800	1,271
<u>Social, Cultural, and Recreational Services</u>							
Adult Activities	98,281	0	0	98,281	121,321	121,321	23,040
Senior Citizens Assistance	1,000	0	0	1,000	1,000	1,000	0
Libraries	114,350	0	0	114,350	114,350	114,350	0
Parks and Fair Boards	6,000	0	0	6,000	6,000	6,000	0
Other Social, Cultural, and Recreational	28,774	0	0	28,774	35,000	35,000	6,226
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	127,399	0	0	127,399	137,418	144,507	17,108
Soil Conservation	31,148	0	0	31,148	31,274	31,274	126
Flood Control	21,808	0	0	21,808	21,808	21,808	0
<u>Other Operations</u>							
Tourism	26,550	0	0	26,550	26,550	26,550	0
Tourism-Resort District	579,211	0	3,500	582,711	834,335	834,335	251,624
Industrial Development	65,500	(8,100)	0	57,400	94,122	94,122	36,722
Airport	1,111,676	(2,616)	85,007	1,194,067	1,176,442	1,184,042	(10,025)
Veterans' Services	34,127	0	0	34,127	39,365	39,365	5,238
Other Charges	113,559	0	0	113,559	117,779	117,779	4,220
Contributions to Other Agencies	247,285	0	6,050	253,335	83,577	261,606	8,271
Employee Benefits	1,353,608	0	0	1,353,608	1,379,071	1,383,568	29,960
Miscellaneous	56,013	0	0	56,013	592,205	57,650	1,637
Total Expenditures	\$ 10,002,137	\$ (22,744)	\$ 105,534	\$ 10,084,927	\$ 11,031,687	\$ 10,845,335	\$ 760,408

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Excess (Deficiency) of Revenues Over Expenditures	\$ 195,952	\$ 22,744	\$ (105,534)	\$ 113,162	\$ (837,409)	\$ (364,232)	\$ 477,394
Other Financing Sources (Uses)							
Insurance Recovery	\$ 11,775	\$ 0	\$ 0	\$ 11,775	\$ 100	\$ 10,875	\$ 900
Transfers In	0	0	0	0	98,400	113,400	(113,400)
Transfers Out	(530,243)	0	0	(530,243)	0	(540,000)	9,757
Total Other Financing Sources (Uses)	\$ (518,468)	\$ 0	\$ 0	\$ (518,468)	\$ 98,500	\$ (415,725)	\$ (102,743)
Net Change in Fund Balance Fund Balance, July 1, 2008	\$ (322,516)	\$ 22,744	\$ (105,534)	\$ (405,306)	\$ (738,909)	\$ (779,957)	\$ 374,651
	3,879,475	(22,744)	0	3,856,731	3,879,475	3,879,475	(22,744)
Fund Balance, June 30, 2009	\$ 3,556,959	\$ 0	\$ (105,534)	\$ 3,451,425	\$ 3,140,566	\$ 3,099,518	\$ 351,907

Exhibit E-2

Henry County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,648,687	\$ 2,016,656	\$ 1,581,656	\$ 67,031
Other Local Revenues	122,460	66,200	66,200	56,260
State of Tennessee	1,943,471	2,398,210	2,398,210	(454,739)
Federal Government	38,371	0	0	38,371
Other Governments and Citizens Groups	5,000	0	5,000	0
Total Revenues	\$ 3,757,989	\$ 4,481,066	\$ 4,051,066	\$ (293,077)
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 273,406	\$ 279,842	\$ 279,842	\$ 6,436
Highway and Bridge Maintenance	1,302,662	1,594,705	1,599,713	297,051
Operation and Maintenance of Equipment	625,438	702,280	702,272	76,834
Quarry Operations	0	1,000	1,000	1,000
Litter and Trash Collection	41,416	41,416	41,416	0
Other Charges	213,024	227,452	227,452	14,428
Employee Benefits	505,782	580,785	580,785	75,003
Capital Outlay	629,058	1,347,219	1,290,284	661,226
<u>Principal on Debt</u>				
Highways and Streets	50,000	0	50,000	0
<u>Interest on Debt</u>				
Highways and Streets	1,934	0	1,935	1
Total Expenditures	\$ 3,642,720	\$ 4,774,699	\$ 4,774,699	\$ 1,131,979
Excess (Deficiency) of Revenues Over Expenditures	\$ 115,269	\$ (293,633)	\$ (723,633)	\$ 838,902
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 38,634	\$ 0	\$ 0	\$ 38,634
Transfers In	430,243	5,000	435,000	(4,757)
Total Other Financing Sources (Uses)	\$ 468,877	\$ 5,000	\$ 435,000	\$ 33,877
Net Change in Fund Balance	\$ 584,146	\$ (288,633)	\$ (288,633)	\$ 872,779
Fund Balance, July 1, 2008	1,384,634	692,858	1,384,634	0
Fund Balance, June 30, 2009	\$ 1,968,780	\$ 404,225	\$ 1,096,001	\$ 872,779

Exhibit E-3

Henry County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and the Discretely Presented Henry County School Department
June 30, 2009

(Dollar amounts in thousands)

Fiscal Year Ended	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)
6-30-09	7-1-07	\$ 54,541	\$ 61,013	6,472	89.93 %	\$ 27,436	23.59 %
6-30-08	7-1-07	54,541	61,013	6,472	89.93	27,436	23.59

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 2007-08 year; therefore, only two years of data are presented.

Exhibit E-4

Henry County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Primary Government and the Discretely Presented Henry County School Department
June 30, 2009

(Dollar amounts in thousands)

Plans	Fiscal Year Ended*	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a
								Percentage of Covered Payroll ((b-a)/c)
<u>PRIMARY GOVERNMENT</u>								
Local Government Group	6-30-08	7-1-07	\$ 0	\$ 74	\$ 74	0%	\$ 1,096	7%
"	6-30-09	7-1-07	0	74	74	0	1,096	7
<u>DISCRETELY PRESENTED HENRY COUNTY SCHOOL DEPARTMENT</u>								
Local Education Group	6-30-08	7-1-07	0	6,224	6,224	0	12,894	48
"	6-30-09	7-1-07	0	6,224	6,224	0	12,894	48

*Data only available for two years.

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HENRY COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2009

A. BUDGETARY INFORMATION

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

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

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

B. PRIOR-YEAR CASH SHORTAGE

As noted in the Annual Financial Report for the year ended June 30, 2006, a cash shortage totaling \$162,658 existed in the General (\$118,878), Drug Control (\$23,502), and General Capital Projects (\$20,278) funds as a result of irregularities in the Office of Sheriff. Former Sheriff David Bumpus, former business manager Faye Scott, and former owner of Elite Firearms, Jason Ferren, all pled guilty to various charges and received various sentences and fines. The three defendants have been ordered to pay restitution totaling \$71,512. This amount is net of estimated auction proceeds of items recovered from David Bumpus. David Bumpus paid \$581, Faye Scott paid \$9,073, and Jason Ferren paid \$19,854, toward liquidating the cash shortage during the current audit period. Also \$25,000 was received on a corporate surety bond and \$12,205 was received from the sale of capital assets. As of June 30, 2009, the cash shortage totaled \$93,693, which included the General (\$49,913), Drug Control (\$23,502), and General Capital Projects (\$20,278) funds.

C. **EXPENDITURES EXCEEDED APPROPRIATIONS**

Expenditures exceeded appropriations approved by the County Commission in the Preservation of Records and Airport major appropriation categories (the legal level of control) of the General Fund by \$154 and \$10,025, respectively. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

**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 Henry County’s garbage collection operations.

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

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

Capital Projects Fund

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

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

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Exhibit F-1

Henry County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

	Special Revenue Funds				Capital Projects		Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total	Fund		
					General Capital Projects		
\$	0	0	13,429	\$ 13,429	0	0	\$ 13,429
	318,320	259,178	0	577,498	480,326		1,057,824
	10,963	0	0	10,963	0		10,963
	302,080	0	0	302,080	0		302,080
	(4,382)	0	0	(4,382)	0		(4,382)
	0	23,502	0	23,502	20,278		43,780
\$	626,981	282,680	13,429	923,090	500,604		1,423,694

ASSETS

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

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>							
Due to Other Funds	0	0	13,429	\$ 13,429	\$ 1,785	\$	15,214
Deferred Revenue - Current Property Taxes	283,701	0	0	283,701	0		283,701
Deferred Revenue - Delinquent Property Taxes	13,086	0	0	13,086	0		13,086
Total Liabilities	\$ 296,787	\$ 0	\$ 13,429	\$ 310,216	\$ 1,785	\$	312,001
<u>Fund Balances</u>							
Reserved for Encumbrances	0	0	0	0	4,995	\$	4,995
Reserved for Purchase of Electronic Fingerprint Imaging System	0	10,161	0	10,161	0		10,161
Unreserved	330,194	272,519	0	602,713	493,824		1,096,537
Total Fund Balances	\$ 330,194	\$ 282,680	\$ 0	\$ 612,874	\$ 498,819	\$	1,111,693
Total Liabilities and Fund Balances	\$ 626,981	\$ 282,680	\$ 13,429	\$ 923,090	\$ 500,604	\$	1,423,694

Exhibit F-2

Henry County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2009

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Total	General Capital Projects	
<u>Revenues</u>					
Local Taxes	\$ 299,939	\$ 916	\$ 300,855	\$ 0	\$ 300,855
Fines, Forfeitures, and Penalties	0	52,981	52,981	0	52,981
Other Local Revenues	170,676	9,418	180,094	0	180,094
State of Tennessee	34,159	0	34,159	69,996	104,155
Other Governments and Citizens Groups	0	5,976	5,976	0	5,976
Total Revenues	<u>\$ 504,774</u>	<u>\$ 69,291</u>	<u>\$ 574,065</u>	<u>\$ 69,996</u>	<u>\$ 644,061</u>
<u>Expenditures</u>					
Current:					
Public Safety	\$ 0	\$ 59,776	\$ 59,776	\$ 0	\$ 59,776
Public Health and Welfare	462,676	0	462,676	0	462,676
Other Operations	5,863	0	5,863	0	5,863
Capital Projects	0	0	0	1,686,009	1,686,009
Total Expenditures	<u>\$ 468,539</u>	<u>\$ 59,776</u>	<u>\$ 528,315</u>	<u>\$ 1,686,009</u>	<u>\$ 2,214,324</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 36,235</u>	<u>\$ 9,515</u>	<u>\$ 45,750</u>	<u>\$ (1,616,013)</u>	<u>\$ (1,570,263)</u>
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 1,240,360	\$ 1,240,360
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,240,360</u>	<u>\$ 1,240,360</u>
Net Change in Fund Balances	\$ 36,235	\$ 9,515	\$ 45,750	\$ (375,653)	\$ (329,903)
Fund Balance, July 1, 2008	293,959	273,165	567,124	874,472	1,441,596
Fund Balance, June 30, 2009	<u>\$ 330,194</u>	<u>\$ 282,680</u>	<u>\$ 612,874</u>	<u>\$ 498,819</u>	<u>\$ 1,111,693</u>

Exhibit F-3

Henry County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2009

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 299,939	\$ 0	\$ 299,939	\$ 308,088	\$ 308,088	\$ (8,149)
Other Local Revenues	170,676	0	170,676	201,100	201,100	(30,424)
State of Tennessee	34,159	0	34,159	51,300	51,300	(17,141)
Total Revenues	\$ 504,774	\$ 0	\$ 504,774	\$ 560,488	\$ 560,488	\$ (55,714)
<u>Expenditures</u>						
<u>Public Health and Welfare</u>						
Sanitation Management	\$ 42,723	\$ 0	\$ 42,723	\$ 45,690	\$ 45,690	\$ 2,967
Recycling Center	393,744	(250)	393,494	465,790	475,428	81,934
Landfill Operation and Maintenance	5,000	0	5,000	67,000	67,000	62,000
Other Waste Disposal	21,209	0	21,209	33,600	33,600	12,391
<u>Other Operations</u>						
Other Charges	5,863	0	5,863	7,000	7,000	1,137
Total Expenditures	\$ 468,539	\$ (250)	\$ 468,289	\$ 619,080	\$ 628,718	\$ 160,429
Excess (Deficiency) of Revenues Over Expenditures	\$ 36,235	\$ 250	\$ 36,485	\$ (58,592)	\$ (68,230)	\$ 104,715
Net Change in Fund Balance Fund Balance, July 1, 2008	\$ 36,235	\$ 250	\$ 36,485	\$ (58,592)	\$ (68,230)	\$ 104,715
	293,959	(250)	293,709	287,653	293,959	(250)
Fund Balance, June 30, 2009	\$ 330,194	\$ 0	\$ 330,194	\$ 229,061	\$ 225,729	\$ 104,465

Exhibit F-4

Henry County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 916	\$ 8,000	\$ 8,000	\$ (7,084)
Fines, Forfeitures, and Penalties	52,981	34,500	53,891	(910)
Other Local Revenues	9,418	14,000	14,000	(4,582)
Other Governments and Citizens Groups	5,976	6,000	6,000	(24)
Total Revenues	<u>\$ 69,291</u>	<u>\$ 62,500</u>	<u>\$ 81,891</u>	<u>\$ (12,600)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 59,776	\$ 53,500	\$ 74,524	\$ 14,748
Total Expenditures	<u>\$ 59,776</u>	<u>\$ 53,500</u>	<u>\$ 74,524</u>	<u>\$ 14,748</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 9,515</u>	<u>\$ 9,000</u>	<u>\$ 7,367</u>	<u>\$ 2,148</u>
Net Change in Fund Balance	\$ 9,515	\$ 9,000	\$ 7,367	\$ 2,148
Fund Balance, July 1, 2008	<u>273,165</u>	<u>0</u>	<u>0</u>	<u>273,165</u>
Fund Balance, June 30, 2009	<u>\$ 282,680</u>	<u>\$ 9,000</u>	<u>\$ 7,367</u>	<u>\$ 275,313</u>

Major Governmental Fund

General Debt Service Fund

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

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Exhibit G

Henry County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 730,731	\$ 732,044	\$ 732,044	\$ (1,313)
Other Local Revenues	219,142	300,000	300,001	(80,859)
Other Governments and Citizens Groups	1,548,882	0	1,573,882	(25,000)
Total Revenues	<u>\$ 2,498,755</u>	<u>\$ 1,032,044</u>	<u>\$ 2,605,927</u>	<u>\$ (107,172)</u>
<u>Expenditures</u>				
<u>Other Operations</u>				
Other Charges	\$ 11,713	\$ 14,000	\$ 14,000	\$ 2,287
<u>Principal on Debt</u>				
General Government	810,974	837,260	825,560	14,586
Education	1,179,850	1,709,164	1,179,851	1
<u>Interest on Debt</u>				
General Government	63,013	100,248	111,948	48,935
Education	570,217	615,781	596,732	26,515
<u>Other Debt Service</u>				
General Government	6,639	10,000	10,000	3,361
Education	7,756	9,000	8,999	1,243
Total Expenditures	<u>\$ 2,650,162</u>	<u>\$ 3,295,453</u>	<u>\$ 2,747,090</u>	<u>\$ 96,928</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (151,407)</u>	<u>\$ (2,263,409)</u>	<u>\$ (141,163)</u>	<u>\$ (10,244)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 100,000	\$ 1,673,883	\$ 100,000	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 100,000</u>	<u>\$ 1,673,883</u>	<u>\$ 100,000</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (51,407)	\$ (589,526)	\$ (41,163)	\$ (10,244)
Fund Balance, July 1, 2008	<u>3,067,648</u>	<u>3,049,011</u>	<u>3,067,648</u>	<u>0</u>
Fund Balance, June 30, 2009	<u>\$ 3,016,241</u>	<u>\$ 2,459,485</u>	<u>\$ 3,026,485</u>	<u>\$ (10,244)</u>

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Fiduciary Funds

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

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

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

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

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

Judicial District Drug Fund – The Judicial District Drug Fund is used to account for transactions of the Judicial District Drug Task Force, a joint venture of the various law enforcement agencies of the Twenty-fourth Judicial District.

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Exhibit H-1

Henry County, Tennessee
 Combining Statement of Fiduciary Assets and Liabilities
 Fiduciary Funds
 For the Year Ended June 30, 2009

	Agency Funds					Total
	Cities - Sales Tax	Watershed District	Special School District	Constitu- tional Officers - Agency	Judicial District Drug	
Cash	\$ 0	\$ 0	\$ 0	\$ 890,559	\$ 0	\$ 890,559
Equity in Pooled Cash and Investments	0	1,606	195,807	0	225,233	422,646
Due from Other Governments	584,236	0	275,860	0	0	860,096
Property Taxes Receivable	0	0	3,349,962	0	0	3,349,962
Allowance for Uncollectible Property Taxes	0	0	(48,294)	0	0	(48,294)
Total Assets	\$ 584,236	\$ 1,606	\$ 3,773,335	\$ 890,559	\$ 225,233	\$ 5,474,969
Due to Other Taxing Units	\$ 584,236	\$ 1,606	\$ 3,773,335	\$ 0	\$ 0	\$ 4,359,177
Due to Litigants, Heirs, and Others	0	0	0	890,559	0	890,559
Due to Joint Ventures	0	0	0	0	225,233	225,233
Total Liabilities	\$ 584,236	\$ 1,606	\$ 3,773,335	\$ 890,559	\$ 225,233	\$ 5,474,969

ASSETS

LIABILITIES

Exhibit H-2

Henry County, Tennessee
Combining Statement of Changes in Assets
and Liabilities - All Agency Funds
For the Year Ended June 30, 2009

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 3,356,228	\$ 3,356,228	\$ 0
Due from Other Governments	588,428	584,236	588,428	584,236
Total Assets	\$ 588,428	\$ 3,940,464	\$ 3,944,656	\$ 584,236
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 588,428	\$ 3,940,464	\$ 3,944,656	\$ 584,236
Total Liabilities	\$ 588,428	\$ 3,940,464	\$ 3,944,656	\$ 584,236
<u>Watershed District Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 1,606	\$ 0	\$ 0	\$ 1,606
Total Assets	\$ 1,606	\$ 0	\$ 0	\$ 1,606
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,606	\$ 0	\$ 0	\$ 1,606
Total Liabilities	\$ 1,606	\$ 0	\$ 0	\$ 1,606
<u>Special School District Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 183,230	\$ 4,614,545	\$ 4,601,968	\$ 195,807
Due from Other Governments	289,953	275,860	289,953	275,860
Property Taxes Receivable	3,289,250	3,349,962	3,289,250	3,349,962
Allowance for Uncollectible Property Taxes	(42,936)	(48,294)	(42,936)	(48,294)
Total Assets	\$ 3,719,497	\$ 8,192,073	\$ 8,138,235	\$ 3,773,335
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 3,719,497	\$ 8,192,073	\$ 8,138,235	\$ 3,773,335
Total Liabilities	\$ 3,719,497	\$ 8,192,073	\$ 8,138,235	\$ 3,773,335

(Continued)

Exhibit H-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 860,602	\$ 8,194,407	\$ 8,164,450	\$ 890,559
Total Assets	\$ 860,602	\$ 8,194,407	\$ 8,164,450	\$ 890,559
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 860,602	\$ 8,194,407	\$ 8,164,450	\$ 890,559
Total Liabilities	\$ 860,602	\$ 8,194,407	\$ 8,164,450	\$ 890,559
<u>Judicial District Drug Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 260,528	\$ 35,295	\$ 225,233
Total Assets	\$ 0	\$ 260,528	\$ 35,295	\$ 225,233
<u>Liabilities</u>				
Due to Joint Ventures	\$ 0	\$ 260,528	\$ 35,295	\$ 225,233
Total Liabilities	\$ 0	\$ 260,528	\$ 35,295	\$ 225,233
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 860,602	\$ 8,194,407	\$ 8,164,450	\$ 890,559
Equity in Pooled Cash and Investments	184,836	8,231,301	7,993,491	422,646
Due from Other Governments	878,381	860,096	878,381	860,096
Property Taxes Receivable	3,289,250	3,349,962	3,289,250	3,349,962
Allowance for Uncollectible Property Taxes	(42,936)	(48,294)	(42,936)	(48,294)
Total Assets	\$ 5,170,133	\$ 20,587,472	\$ 20,282,636	\$ 5,474,969
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 4,309,531	\$ 12,132,537	\$ 12,082,891	\$ 4,359,177
Due to Litigants, Heirs, and Others	860,602	8,194,407	8,164,450	890,559
Due to Joint Ventures	0	260,528	35,295	225,233
Total Liabilities	\$ 5,170,133	\$ 20,587,472	\$ 20,282,636	\$ 5,474,969

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Henry County School Department

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

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

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

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

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Exhibit I-1

Henry County, Tennessee
Statement of Activities
Discretely Presented Henry County School Department
For the Year Ended June 30, 2009

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 16,838,002	\$ 0	\$ 1,756,188	\$ (15,081,814)
Support Services	8,502,502	68,591	543,661	(7,890,250)
Operation of Non-Instructional Services	2,450,189	711,268	1,535,029	(203,892)
Interest on Long-term Debt	1,548,882	0	0	(1,548,882)
Total Governmental Activities	\$ 29,339,575	\$ 779,859	\$ 3,834,878	\$ (24,724,838)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 4,385,935
Local Option Sales Taxes				2,659,557
Other Local Taxes				118,008
Grants and Contributions Not Restricted to Specific Programs				15,489,101
Unrestricted Investment Income				70,744
Miscellaneous				142,168
Total General Revenues				\$ 22,865,513
Change in Net Assets				\$ (1,859,325)
Net Assets, July 1, 2008				<u>30,980,251</u>
Net Assets, June 30, 2009				<u>\$ 29,120,926</u>

Exhibit I-2

Henry County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Henry County School Department
June 30, 2009

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 3,150,442	\$ 445,641	\$ 3,596,083
Accounts Receivable	1,903	0	1,903
Due from Other Governments	864,643	142,187	1,006,830
Due from Other Funds	8,925	0	8,925
Property Taxes Receivable	4,685,229	0	4,685,229
Allowance for Uncollectible Property Taxes	(67,978)	0	(67,978)
Total Assets	<u>\$ 8,643,164</u>	<u>\$ 587,828</u>	<u>\$ 9,230,992</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 72,643	\$ 58,863	\$ 131,506
Due to Other Funds	0	8,925	8,925
Deferred Revenue - Current Property Taxes	4,400,162	0	4,400,162
Deferred Revenue - Delinquent Property Taxes	202,959	0	202,959
Other Deferred Revenues	255,520	13,862	269,382
Total Liabilities	<u>\$ 4,931,284</u>	<u>\$ 81,650</u>	<u>\$ 5,012,934</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 291,429	\$ 87,624	\$ 379,053
Other Local Education Reserves	83,329	0	83,329
Reserved for Driver Education	8,048	0	8,048
Reserved for Career Ladder - Extended Contract	71,001	0	71,001
Reserved for Career Ladder Program	17,054	0	17,054
Reserved for Basic Education Program	50,852	0	50,852
Other State Education Reserves	27,361	0	27,361
Other Federal Reserves	0	521	521
Unreserved, Reported In:			
General Fund	3,162,806	0	3,162,806
Special Revenue Funds	0	418,033	418,033
Total Fund Balances	<u>\$ 3,711,880</u>	<u>\$ 506,178</u>	<u>\$ 4,218,058</u>
Total Liabilities and Fund Balances	<u>\$ 8,643,164</u>	<u>\$ 587,828</u>	<u>\$ 9,230,992</u>

Exhibit I-3

Henry County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
Discretely Presented Henry County School Department
June 30, 2009

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)		\$ 4,218,058
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 610,066	
Add: buildings and improvements net of accumulated depreciation	23,510,446	
Add: other capital assets net of accumulated depreciation	<u>1,257,292</u>	25,377,804
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		472,341
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: compensated absences payable	\$ (66,001)	
Less: other postemployment benefits liability	<u>(881,276)</u>	<u>(947,277)</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 29,120,926</u>

Exhibit I-4

Henry County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Henry County School Department
For the Year Ended June 30, 2009

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 7,314,716	\$ 0	\$ 7,314,716
Licenses and Permits	1,771	0	1,771
Charges for Current Services	70,092	701,459	771,551
Other Local Revenues	322,330	5,224	327,554
State of Tennessee	15,778,093	16,358	15,794,451
Federal Government	360,650	2,808,172	3,168,822
Total Revenues	<u>\$ 23,847,652</u>	<u>\$ 3,531,213</u>	<u>\$ 27,378,865</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 13,204,305	\$ 1,474,748	\$ 14,679,053
Support Services	7,697,184	421,093	8,118,277
Operation of Non-Instructional Services	678,136	1,602,089	2,280,225
Capital Outlay	285,933	0	285,933
Debt Service:			
Other Debt Service	1,548,882	0	1,548,882
Total Expenditures	<u>\$ 23,414,440</u>	<u>\$ 3,497,930</u>	<u>\$ 26,912,370</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 433,212</u>	<u>\$ 33,283</u>	<u>\$ 466,495</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 15,716	\$ 0	\$ 15,716
Transfers In	2,797	0	2,797
Transfers Out	0	(2,797)	(2,797)
Total Other Financing Sources (Uses)	<u>\$ 18,513</u>	<u>\$ (2,797)</u>	<u>\$ 15,716</u>
Net Change in Fund Balances	\$ 451,725	\$ 30,486	\$ 482,211
Fund Balance, July 1, 2008	3,260,155	475,692	3,735,847
Fund Balance, June 30, 2009	<u>\$ 3,711,880</u>	<u>\$ 506,178</u>	<u>\$ 4,218,058</u>

Exhibit I-5

Henry County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Henry County School Department
For the Year Ended June 30, 2009

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

Net change in fund balances - total governmental funds (Exhibit I-4)		\$	482,211
(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 acquired in the current period		\$	98,438
Less: current year depreciation expense			<u>(1,954,181)</u>
			(1,855,743)
(2) The net effect of various transactions involving capital assets (sales, trade-ins, donations) is to decrease net assets.			
Less: loss on disposal of capital assets			(14,868)
(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, 2009		\$	472,341
Less: deferred delinquent property taxes and other deferred June 30, 2008			<u>(489,736)</u>
			(17,395)
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in compensated absences payable		\$	2,051
Change in other postemployment benefits liability			<u>(455,581)</u>
			<u>(453,530)</u>
Change in net assets of governmental activities (Exhibit B)		\$	<u><u>(1,859,325)</u></u>

Exhibit I-6

Henry County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Henry County School Department
June 30, 2009

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>School</u>	<u>Central</u>	<u>Nonmajor</u>
	<u>Federal</u>	<u>Cafeteria</u>	<u>Governmental</u>
	<u>Projects</u>		<u>Funds</u>
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 19,884	\$ 425,757	\$ 445,641
Due from Other Governments	36,340	105,847	142,187
Total Assets	<u>\$ 56,224</u>	<u>\$ 531,604</u>	<u>\$ 587,828</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 37,230	\$ 21,633	\$ 58,863
Due to Other Funds	8,925	0	8,925
Other Deferred Revenues	0	13,862	13,862
Total Liabilities	<u>\$ 46,155</u>	<u>\$ 35,495</u>	<u>\$ 81,650</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 87,624	\$ 0	\$ 87,624
Other Federal Reserves	521	0	521
Unreserved (Deficit)	(78,076)	496,109	418,033
Total Fund Balances	<u>\$ 10,069</u>	<u>\$ 496,109</u>	<u>\$ 506,178</u>
Total Liabilities and Fund Balances	<u>\$ 56,224</u>	<u>\$ 531,604</u>	<u>\$ 587,828</u>

Exhibit I-7

Henry County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Henry County School Department
For the Year Ended June 30, 2009

	<u>Special Revenue Funds</u>		Total
	School Federal Projects	Central Cafeteria	Nonmajor Governmental Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 701,459	\$ 701,459
Other Local Revenues	0	5,224	5,224
State of Tennessee	0	16,358	16,358
Federal Government	1,856,643	951,529	2,808,172
Total Revenues	<u>\$ 1,856,643</u>	<u>\$ 1,674,570</u>	<u>\$ 3,531,213</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,474,748	\$ 0	\$ 1,474,748
Support Services	421,093	0	421,093
Operation of Non-Instructional Services	0	1,602,089	1,602,089
Total Expenditures	<u>\$ 1,895,841</u>	<u>\$ 1,602,089</u>	<u>\$ 3,497,930</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (39,198)</u>	<u>\$ 72,481</u>	<u>\$ 33,283</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (2,797)	\$ 0	\$ (2,797)
Total Other Financing Sources (Uses)	<u>\$ (2,797)</u>	<u>\$ 0</u>	<u>\$ (2,797)</u>
Net Change in Fund Balances	\$ (41,995)	\$ 72,481	\$ 30,486
Fund Balance, July 1, 2008	52,064	423,628	475,692
Fund Balance, June 30, 2009	<u>\$ 10,069</u>	<u>\$ 496,109</u>	<u>\$ 506,178</u>

Exhibit I-8

Henry County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Henry County School Department
General Purpose School Fund
For the Year Ended June 30, 2009

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 7,314,716	\$ 0	\$ 0	\$ 7,314,716	\$ 7,549,309	\$ 7,213,393	\$ 101,323
Licenses and Permits	1,771	0	0	1,771	2,200	2,200	(429)
Charges for Current Services	70,092	0	0	70,092	143,274	143,274	(73,182)
Other Local Revenues	322,330	0	0	322,330	211,595	337,044	(14,714)
State of Tennessee	15,778,093	0	0	15,778,093	15,491,229	15,979,895	(201,802)
Federal Government	360,650	0	0	360,650	480,577	503,577	(142,927)
Total Revenues	\$ 23,847,652	\$ 0	\$ 0	\$ 23,847,652	\$ 23,878,184	\$ 24,179,383	\$ (331,731)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 10,518,134	\$ (23,915)	\$ 25,277	\$ 10,519,496	\$ 10,700,315	\$ 10,717,323	\$ 197,827
Alternative Instruction Program	202,504	0	0	202,504	215,434	214,158	11,654
Special Education Program	1,441,478	0	0	1,441,478	1,462,692	1,483,375	41,897
Vocational Education Program	805,488	0	0	805,488	808,199	831,317	25,829
Adult Education Program	236,701	0	0	236,701	289,202	289,532	52,831
<u>Support Services</u>							
Attendance	209,694	0	0	209,694	203,831	268,020	58,326
Health Services	301,889	(16,625)	150	285,414	275,787	285,787	373
Other Student Support	585,521	0	128	585,649	574,229	593,674	8,025
Regular Instruction Program	951,000	(2,188)	420	949,232	980,438	995,438	46,206
Alternative Instruction Program	87,472	0	0	87,472	89,006	89,336	1,864
Special Education Program	119,634	0	0	119,634	132,324	124,449	4,815
Vocational Education Program	63,396	0	0	63,396	65,854	66,019	2,623
Other Programs	147,810	0	0	147,810	0	147,810	0

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Board of Education	\$ 436,087	\$ 0	\$ 0	\$ 436,087	\$ 416,000	\$ 440,189	\$ 4,102
Director of Schools	279,128	(1,019)	0	278,109	298,569	298,899	20,790
Office of the Principal	1,188,662	(2,700)	1,820	1,187,782	1,267,798	1,254,302	66,520
Fiscal Services	98,444	0	0	98,444	103,410	103,410	4,966
Operation of Plant	1,443,644	0	0	1,443,644	1,354,328	1,489,848	46,204
Maintenance of Plant	505,410	(768)	268	504,910	539,315	539,315	34,405
Transportation	1,279,393	0	243,977	1,523,370	1,687,218	1,599,071	75,701
<u>Operation of Non-Instructional Services</u>							
Community Services	429,245	(1,774)	17,589	445,060	451,003	654,023	208,963
Early Childhood Education	248,891	0	0	248,891	276,326	287,072	38,181
<u>Capital Outlay</u>							
Regular Capital Outlay	285,933	(30,032)	1,800	257,701	187,230	422,401	164,700
<u>Principal on Debt</u>							
Education	0	0	0	0	1,006,466	0	0
Interest on Debt	0	0	0	0	542,419	0	0
<u>Other Debt Service</u>							
Education	1,548,882	0	0	1,548,882	0	1,548,885	3
Total Expenditures	\$ 23,414,440	\$ (79,021)	\$ 291,429	\$ 23,626,848	\$ 23,927,393	\$ 24,743,653	\$ 1,116,805
Excess (Deficiency) of Revenues Over Expenditures	\$ 433,212	\$ 79,021	\$ (291,429)	\$ 220,804	\$ (49,209)	\$ (564,270)	\$ 785,074

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 15,716	\$ 0	\$ 0	\$ 15,716	\$ 15,000	\$ 15,000	\$ 716
Transfers In	2,797	0	0	2,797	3,087	3,087	(290)
Total Other Financing Sources (Uses)	\$ 18,513	\$ 0	\$ 0	\$ 18,513	\$ 18,087	\$ 18,087	\$ 426
Net Change in Fund Balance	\$ 451,725	\$ 79,021	\$ (291,429)	\$ 239,317	\$ (31,122)	\$ (546,183)	\$ 785,500
Fund Balance, July 1, 2008	3,260,155	(79,021)	0	3,181,134	2,687,009	2,687,009	494,125
Fund Balance, June 30, 2009	\$ 3,711,880	\$ 0	\$ (291,429)	\$ 3,420,451	\$ 2,655,887	\$ 2,140,826	\$ 1,279,625

Exhibit I-9

Henry County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Henry County School Department
School Federal Projects Fund
For the Year Ended June 30, 2009

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Federal Government	\$ 1,856,643	0	\$ 1,856,643	\$ 1,808,889	\$ 2,153,812	\$ (297,169)
Total Revenues	\$ 1,856,643	0	\$ 1,856,643	\$ 1,808,889	\$ 2,153,812	\$ (297,169)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 883,562	0	\$ 883,562	\$ 903,635	\$ 956,009	\$ 72,447
Special Education Program	531,056	0	531,056	528,127	593,166	62,110
Vocational Education Program	60,130	0	60,130	0	61,012	882
<u>Support Services</u>						
Attendance	23,999	0	23,999	0	40,000	16,001
Other Student Support	41,594	0	41,594	13,750	43,519	1,925
Regular Instruction Program	168,139	0	168,139	160,479	179,647	11,508
Special Education Program	163,947	0	163,947	172,956	190,909	26,962
Vocational Education Program	3,290	0	3,290	0	3,500	210
Transportation	20,124	87,624	107,748	27,128	125,303	17,555
Total Expenditures	\$ 1,895,841	\$ 87,624	\$ 1,983,465	\$ 1,806,075	\$ 2,193,065	\$ 209,600
Excess (Deficiency) of Revenues Over Expenditures	\$ (39,198)	\$ (87,624)	\$ (126,822)	\$ 2,814	\$ (39,253)	\$ (87,569)
<u>Other Financing Sources (Uses)</u>						
Transfers In	0	0	0	113,147	0	0
Transfers Out	(2,797)	0	(2,797)	(115,962)	(3,130)	333
Total Other Financing Sources (Uses)	\$ (2,797)	0	\$ (2,797)	\$ (2,815)	\$ (3,130)	\$ 333
Net Change in Fund Balance Fund Balance, July 1, 2008	\$ (41,995)	\$ (87,624)	\$ (129,619)	\$ (1)	\$ (42,383)	\$ (87,236)
Fund Balance, July 1, 2008	52,064	0	52,064	53,234	53,234	(1,170)
Fund Balance, June 30, 2009	\$ 10,069	\$ (87,624)	\$ (77,555)	\$ 53,233	\$ 10,851	\$ (88,406)

Exhibit I-10

Henry County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Henry County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2009

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 701,459	\$ 0	\$ 701,459	\$ 814,439	\$ 814,439	\$ (112,980)
Other Local Revenues	5,224	0	5,224	11,090	11,090	(5,866)
State of Tennessee	16,358	0	16,358	16,629	16,629	(271)
Federal Government	951,529	0	951,529	901,250	901,250	50,279
Total Revenues	\$ 1,674,570	\$ 0	\$ 1,674,570	\$ 1,743,408	\$ 1,743,408	\$ (68,838)
<u>Expenditures</u>						
<u>Operation of Non-Instructional Services</u>						
Food Service	\$ 1,602,089	(19,998)	\$ 1,582,091	\$ 1,854,390	\$ 1,854,390	\$ 272,299
Total Expenditures	\$ 1,602,089	(19,998)	\$ 1,582,091	\$ 1,854,390	\$ 1,854,390	\$ 272,299
Excess (Deficiency) of Revenues Over Expenditures	\$ 72,481	\$ 19,998	\$ 92,479	(110,982)	(110,982)	\$ 203,461
Net Change in Fund Balance Fund Balance, July 1, 2008	\$ 72,481	\$ 19,998	\$ 92,479	(110,982)	(110,982)	\$ 203,461
	423,628	(19,998)	403,630	374,715	374,715	28,915
Fund Balance, June 30, 2009	\$ 496,109	\$ 0	\$ 496,109	\$ 263,733	\$ 263,733	\$ 232,376

MISCELLANEOUS SCHEDULES

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Exhibit J-1

Henry County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, and Bonds
For the Year Ended June 30, 2009

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-08	Issued During Period	Matured During Period	Paid and/or Outstanding 6-30-09
NOTES PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Jail Renovation Projects	\$ 190,000	5.125 %	10-14-1999	10-14-09	\$ 38,000	\$ 0	\$ 19,000	\$ 19,000
School Energy Efficiency Improvement	499,872	0	2-2-07	2-15-14	428,462	0	71,410	357,052
Jail Renovation Projects	300,000	3.9	11-26-07	11-26-10	300,000	0	88,300	211,700
Right-of-Way and Utility Relocation	500,000	3.74	6-17-08	6-17-18	500,000	0	42,314	457,686
Airport Industrial Building	960,000	0	8-6-08	7-31-18	0	960,000	0	960,000
General Improvement Projects	200,360	3.24	9-24-08	6-30-09	0	200,360	200,360	0
Solid Waste Bailier	80,000	3.85	9-24-08	9-24-13	0	80,000	0	80,000
Total Payable through General Debt Service Fund					\$ 1,266,462	\$ 1,240,360	\$ 421,384	\$ 2,085,438
<u>Payable through Highway/Public Works Fund</u>								
Highway Shop	150,000	3.9	5-31-06	5-18-09	\$ 50,000	\$ 0	\$ 50,000	\$ 0
Total Payable through Highway/Public Works Fund					\$ 50,000	\$ 0	\$ 50,000	\$ 0
Total Notes Payable					\$ 1,316,462	\$ 1,240,360	\$ 471,384	\$ 2,085,438
OTHER LOANS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Grove School/Campus Renovation	3,000,000	Variable	5-17-1996	5-25-15	\$ 1,468,800	\$ 0	\$ 177,700	\$ 1,291,100
Jail Renovation Projects	4,944,998	Variable	5-25-1999	5-25-14	1,697,998	0	461,000	1,236,998
Total Other Loans Payable					\$ 3,166,798	\$ 0	\$ 638,700	\$ 2,528,098
BONDS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
School, Refunding Series 1998	3,162,500	4 to 4.45	8-15-1998	5-1-09	\$ 875,000	\$ 0	\$ 875,000	\$ 0
School, Series 2001B (CAB) (1)	3,693,361	4.6 to 5.2	3-1-01	5-1-21	3,693,361	0	20,740	3,672,621
School, Rural Series 2003	6,600,000	4.25 to 4.6	1-1-03	5-1-25	6,600,000	0	0	6,600,000
School, Refunding Series 2005	5,790,000	3 to 3.85	5-27-05	5-1-18	5,680,000	0	35,000	5,645,000
Total Bonds Payable					\$ 16,848,361	\$ 0	\$ 930,740	\$ 15,917,621

(1) These (CAB) bonds accrete interest that is paid at bond maturity. As of June 30, 2009, interest of \$1,839,212 has accreted on the bonds.

Exhibit J-2

Henry County, Tennessee
Schedule of Long-term Debt Requirements by Year

Year Ending June 30	Notes		
	Principal	Interest	Total
2010	\$ 268,111	\$ 29,428	\$ 297,539
2011	347,411	21,612	369,023
2012	257,410	15,226	272,636
2013	257,410	12,740	270,150
2014	257,410	10,253	267,663
2015	170,000	7,767	177,767
2016	170,000	5,897	175,897
2017	170,000	4,027	174,027
2018	177,686	2,157	179,843
2019	10,000	0	10,000
Total	\$ 2,085,438	\$ 109,107	\$ 2,194,545

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2010	\$ 566,400	\$ 7,306	\$ 9,132	\$ 582,838
2011	595,800	5,494	6,867	608,161
2012	625,600	3,587	4,484	633,671
2013	263,098	1,585	1,981	266,664
2014	232,200	743	929	233,872
2015	245,000	1,527	1,909	248,436
Total	\$ 2,528,098	\$ 20,242	\$ 25,302	\$ 2,573,642

Year Ending June 30	Bonds		
	Principal	Interest	Total
2010	\$ 822,174	\$ 655,311	\$ 1,477,485
2011	823,931	651,817	1,475,748
2012	827,438	650,922	1,478,360
2013	835,447	643,663	1,479,110
2014	840,341	638,644	1,478,985
2015	848,170	634,990	1,483,160
2016	1,118,040	622,980	1,741,020
2017	1,145,910	601,810	1,747,720
2018	921,633	820,487	1,742,120
2019	587,109	1,178,596	1,765,705
2020	552,815	1,212,890	1,765,705
2021	1,239,613	516,091	1,755,704
2022	1,515,000	241,645	1,756,645
2023	1,585,000	174,228	1,759,228
2024	1,655,000	102,903	1,757,903
2025	600,000	27,600	627,600
Total	\$ 15,917,621	\$ 9,374,577	\$ 25,292,198

Exhibit J-3

Henry County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Henry County School Department
For the Year Ended June 30, 2009

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	Highway/Public Works	Net wheel tax revenue	\$ 430,243
General	General Debt Service	Debt payments	<u>100,000</u>
Total Transfers Primary Government			<u>\$ 530,243</u>
<u>DISCRETELY PRESENTED HENRY COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 2,797</u>

Exhibit J-4

Henry County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Henry County School Department
For the Year Ended June 30, 2009

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 71,322	\$ 50,000	RLI Insurance Company
County Road Supervisor	Section 8-24-102, <u>TCA</u>	67,927	100,000	"
Director of Schools	State Board of Education and County Board of Education	114,017	50,000	Western Surety Company
Trustee	Section 8-24-102, <u>TCA</u>	61,751	1,000,000	RLI Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	61,751	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	61,751	50,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	61,751	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	61,751	60,000	"
Clerk and Master - Special Guardian Bond Register	-	-	90,000	Fidelity and Deposit Company of Maryland
Sheriff	Section 8-24-102, <u>TCA</u>	61,751	25,000	RLI Insurance Company
Employee Blanket Bonds: County Mayor's and County Road Supervisor's Offices	Section 8-24-102, <u>TCA</u>	67,927	25,000	CNA Surety Company
Office of Director of Schools			150,000	Tennessee Risk Management Trust
			150,000	"

- (1) Includes a chief executive officer training supplement of \$1,000. Does not include life insurance premiums of \$2,000, disability insurance premiums of \$500, and an automobile allowance of \$5,400.
- (2) Does not include special commissioner fees of \$596.
- (3) Does not include a \$600 law enforcement training supplement.

Henry County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2009

	Special Revenue Funds										Total	
	General	Solid			Highway / Public Works	Debt		Capital Projects	Debt			Capital Projects
		Waste / Sanitation	Drug Control	0 \$		General Debt Service	General Debt Service		General Capital Projects			
\$ 2,478,477 \$	270,376 \$	0 \$	1,487,085 \$	135,198 \$	0 \$	4,371,136						
County Property Taxes												
Current Property Tax	65,034	7,092	39,520	3,544	0	115,190						
Trustee's Collections - Prior Year	27,742	3,023	16,533	1,518	0	48,816						
Trustee's Collections - Bankruptcy	13,236	1,470	6,676	711	0	22,093						
Circuit/Clerk & Master Collections - Prior Years	17,434	1,851	10,181	924	0	30,390						
Interest and Penalty												
Pick-up Taxes	1,527	167	916	83	0	2,693						
Payments in-Lieu-of Taxes - Local Utilities	36,196	3,949	21,718	1,974	0	63,837						
County Local Option Taxes												
Local Option Sales Tax	592,933	0	0	0	0	592,933						
Hotel/Motel Tax	198,633	0	0	0	0	198,633						
Wheel Tax	434,968	0	0	538,132	0	973,100						
Litigation Tax - General	131,074	0	0	0	0	131,074						
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	42,642	0	42,642						
Business Tax	68,489	7,472	41,094	3,736	0	120,791						
Statutory Local Taxes												
Bank Excise Tax	41,607	4,539	24,964	2,269	0	73,379						
Wholesale Beer Tax	400,311	0	0	0	0	400,311						
Interstate Telecommunications Tax	2,427	0	0	0	0	2,427						
Other Statutory Local Taxes	0	0	916	0	0	916						
Total Local Taxes	\$ 4,510,088 \$	299,939 \$	1,648,687 \$	730,731 \$	916 \$	7,190,361						
Licenses and Permits												
Licenses												
Animal Registration	11,849	0	0	0	0	11,849						
Cable TV Franchise	118,247	0	0	0	0	118,247						
Total Licenses and Permits	\$ 130,096 \$	0 \$	0 \$	0 \$	0 \$	130,096						
Fines, Forfeitures, and Penalties												
Circuit Court												
Fines	7,041	0	0	0	0	7,041						

(Continued)

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

	General	Special Revenue Funds					Debt Service Fund		Capital Projects Fund		Total
		Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	General Capital Projects	General Debt Service	General Capital Projects			
									Waste / Sanitation	Drug Control	
Fines, Forfeitures, and Penalties (Cont.)											
<u>Circuit Court (Cont.)</u>											
Officers Costs	\$ 13,580	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	13,580	
Drug Control Fines	10,395	0	12,912	0	0	0	0	0	0	23,307	
Jail Fees	630	0	0	0	0	0	0	0	0	630	
DUI Treatment Fines	190	0	0	0	0	0	0	0	0	190	
Data Entry Fee - Circuit Court	580	0	0	0	0	0	0	0	0	580	
Courtroom Security Fee	142	0	0	0	0	0	0	0	0	142	
<u>General Sessions Court</u>											
Fines	58,513	0	0	0	0	0	0	0	0	58,513	
Officers Costs	75,292	0	0	0	0	0	0	0	0	75,292	
Game and Fish Fines	4,700	0	0	0	0	0	0	0	0	4,700	
Drug Control Fines	54,330	0	146	0	0	0	0	0	0	54,476	
Drug Court Fees	8,885	0	0	0	0	0	0	0	0	8,885	
Jail Fees	3,517	0	0	0	0	0	0	0	0	3,517	
DUI Treatment Fines	7,313	0	0	0	0	0	0	0	0	7,313	
Data Entry Fee - General Sessions Court	7,851	0	0	0	0	0	0	0	0	7,851	
Courtroom Security Fee	1,028	0	0	0	0	0	0	0	0	1,028	
Victims Assistance Assessments	9,495	0	0	0	0	0	0	0	0	9,495	
<u>Juvenile Court</u>											
Fines	3,263	0	0	0	0	0	0	0	0	3,263	
<u>Chancery Court</u>											
Officers Costs	2,614	0	0	0	0	0	0	0	0	2,614	
Data Entry Fee - Chancery Court	1,414	0	0	0	0	0	0	0	0	1,414	
<u>Judicial District Drug Program</u>											
Drug Task Force Forfeitures and Seizures	0	0	12,000	0	0	0	0	0	0	12,000	
<u>Other Fines, Forfeitures, and Penalties</u>											
Proceeds from Confiscated Property	0	0	12,970	0	0	0	0	0	0	12,970	
Other Fines, Forfeitures, and Penalties	0	0	14,953	0	0	0	0	0	0	14,953	
Total Fines, Forfeitures, and Penalties	\$ 270,773	\$ 0	\$ 52,981	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 323,754	

(Continued)

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

	Special Revenue Funds										Total
	General	Solid Waste / Sanitation			Drug Control	Highway / Public Works		Debt Service Fund		Capital Projects Fund	
		General	Waste / Sanitation	Control		Highway / Public Works	Debt Service	Capital Projects			
<u>Charges for Current Services</u>											
<u>General Service Charges</u>											
Sale of Electricity	\$ 30,959	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 30,959
Work Release Charges for Board Fees	3,340	0	0	0	0	0	0	0	0	0	3,340
Airport Fees	18,193	0	0	0	0	0	0	0	0	0	18,193
Copy Fees	1,141	0	0	0	0	0	0	0	0	0	1,141
Greenbelt Late Application Fee	50	0	0	0	0	0	0	0	0	0	50
Telephone Commissions	10,288	0	0	0	0	0	0	0	0	0	10,288
Vending Machine Collections	295	0	0	0	0	0	0	0	0	0	295
Data Processing Fee - Register	12,592	0	0	0	0	0	0	0	0	0	12,592
Data Processing Fee - Sheriff	6,279	0	0	0	0	0	0	0	0	0	6,279
Sexual Offender Registration Fees - Sheriff	1,400	0	0	0	0	0	0	0	0	0	1,400
Data Processing Fee - County Clerk	2,878	0	0	0	0	0	0	0	0	0	2,878
<u>Education Charges</u>											
Tuition - Other	10,875	0	0	0	0	0	0	0	0	0	10,875
<u>Total Charges for Current Services</u>	\$ 98,290	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 98,290
<u>Other Local Revenues</u>											
<u>Recurring Items</u>											
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 218,357	\$ 0	\$ 0	\$ 218,357
Lease/Rentals	5,280	0	0	0	600	0	0	0	0	0	5,880
Commissary Sales	50,152	0	0	0	0	0	0	0	0	0	50,152
Sale of Gasoline	228,914	0	0	0	68,194	0	0	0	0	0	297,108
Sale of Recycled Materials	0	170,676	0	0	0	0	0	0	0	0	170,676
Miscellaneous Refunds	5,010	0	620	303	785	0	0	0	0	0	6,718
<u>Nonrecurring Items</u>											
Sale of Equipment	6,543	0	8,798	0	0	0	0	0	0	0	15,341
Sale of Property	4,400	0	0	0	0	0	0	0	0	0	4,400
Damages Recovered from Individuals	1,059	0	0	2,396	0	0	0	0	0	0	3,455
Performance Bond Forfeitures	4,223	0	0	0	0	0	0	0	0	0	4,223

(Continued)

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

	Special Revenue Funds							Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	Debt Service Fund		Capital Projects			
					General	Debt Service				
<u>Other Local Revenues (Cont.)</u>										
<u>Other Local Revenues</u>	\$ 62,000	\$ 0	\$ 0	\$ 50,967	\$ 0	\$ 0	\$ 0	\$ 0	\$ 112,967	
Total Other Local Revenues	\$ 367,581	\$ 170,676	\$ 9,418	\$ 122,460	\$ 219,142	\$ 0	\$ 0	\$ 0	\$ 889,277	
<u>Fees Received from County Officials</u>										
<u>Fees in-Lieu-of Salary</u>										
County Clerk	\$ 477,864	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 477,864	
Circuit Court Clerk	97,682	0	0	0	0	0	0	0	97,682	
General Sessions Court Clerk	219,697	0	0	0	0	0	0	0	219,697	
Clerk and Master	77,557	0	0	0	0	0	0	0	77,557	
Juvenile Court Clerk	4,685	0	0	0	0	0	0	0	4,685	
Register	140,637	0	0	0	0	0	0	0	140,637	
Sheriff	9,651	0	0	0	0	0	0	0	9,651	
Trustee	438,498	0	0	0	0	0	0	0	438,498	
Total Fees Received from County Officials	\$ 1,466,271	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,466,271	
<u>State of Tennessee</u>										
<u>General Government Grants</u>										
Juvenile Services Program	\$ 9,300	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,300	
Airport Maintenance Program	800,633	0	0	0	0	0	69,996	0	870,629	
Aging Programs	38,060	0	0	0	0	0	0	0	38,060	
State Reappraisal Grant	15,736	0	0	0	0	0	0	0	15,736	
Solid Waste Grants	0	20,987	0	0	0	0	0	0	20,987	
Other General Government Grants	6,600	0	0	0	0	0	0	0	6,600	
<u>Public Safety Grants</u>										
Law Enforcement Training Programs	18,000	0	0	0	0	0	0	0	18,000	
Other Public Safety Grants	34,546	0	0	0	0	0	0	0	34,546	
<u>Health and Welfare Grants</u>										
Other Health and Welfare Grants	56,923	0	0	0	0	0	0	0	56,923	
<u>Public Works Grants</u>										
Bridge Program	0	0	0	85,969	0	0	0	0	85,969	

(Continued)

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

	Special Revenue Funds										Total	
	General	Solid Waste / Sanitation			Drug Control	Highway / Public Works		Debt Service Fund		Capital Projects Fund		
<u>State of Tennessee (Cont.)</u>												
<u>Public Works Grants (Cont.)</u>												
<u>Litter Program</u>												
<u>Other State Revenues</u>												
Resort District Sales Tax	910,951	0	0	0	0	33,979	0	0	0	0	0	910,951
Beer Tax	13,711	0	0	0	0	0	0	0	0	0	0	13,711
Alcoholic Beverage Tax	46,042	0	0	0	0	0	0	0	0	0	0	46,042
Mixed Drink Tax	13,228	0	0	0	0	0	0	0	0	0	0	13,228
Prisoner Transportation	4,598	0	0	0	0	0	0	0	0	0	0	4,598
Contracted Prisoner Boarding	964,406	0	0	0	0	0	0	0	0	0	0	964,406
Gasoline and Motor Fuel Tax	0	0	0	0	1,798,534	0	0	0	0	0	0	1,798,534
Petroleum Special Tax	0	0	0	0	24,989	0	0	0	0	0	0	24,989
Registrar's Salary Supplement	14,912	0	0	0	0	0	0	0	0	0	0	14,912
Other State Grants	0	13,172	0	0	0	0	0	0	0	0	0	13,172
Other State Revenues	496	0	0	0	0	0	0	0	0	0	0	496
Total State of Tennessee	\$ 2,948,142	\$ 34,159	\$ 0	\$ 0	\$ 0	\$ 1,943,471	\$ 0	\$ 0	\$ 0	\$ 69,996	\$ 4,995,768	
<u>Federal Government</u>												
<u>Federal Through State</u>												
Community Development	110,307	0	0	0	0	0	0	0	0	0	0	110,307
Civil Defense Reimbursement	23,509	0	0	0	0	0	0	0	0	0	0	23,509
Disaster Relief	0	0	0	0	38,371	0	0	0	0	0	0	38,371
Homeland Security Grants	31,303	0	0	0	0	0	0	0	0	0	0	31,303
Law Enforcement Grants	3,592	0	0	0	0	0	0	0	0	0	0	3,592
<u>Direct Federal Revenue</u>												
Other Direct Federal Revenue	141,983	0	0	0	0	0	0	0	0	0	0	141,983
Total Federal Government	\$ 310,694	\$ 0	\$ 0	\$ 0	\$ 38,371	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 349,065	
<u>Other Governments and Citizens Groups</u>												
<u>Other Governments</u>												
Contributions	87,526	0	0	0	5,000	1,548,882	0	0	0	0	0	1,641,408
Contracted Services	6,378	0	0	5,951	0	0	0	0	0	0	0	12,329

(Continued)

Exhibit J-5

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

	General	Special Revenue Funds				Highway / Public Works	Debt Service Fund		Capital Projects Fund		Total
		Solid Waste / Sanitation	Drug Control	25	0		0	0	0	0	
Other Governments and Citizens Groups (Cont.)											
<u>Citizens Groups</u>											
Donations	\$ 0	\$ 0	\$ 25	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25	
<u>Other</u>	2,250	0	0	0	0	0	0	0	0	2,250	
Total Other Governments and Citizens Groups	\$ 96,154	\$ 0	\$ 5,976	\$ 5,000	\$ 1,548,882	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,656,012	
Total	\$ 10,198,089	\$ 504,774	\$ 69,291	\$ 3,757,989	\$ 2,498,755	\$ 69,996	\$ 17,098,894				

Exhibit J-6

Henry County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 Discretely Presented Henry County School Department
 For the Year Ended June 30, 2009

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 4,193,630	\$ 0	\$ 0	\$ 4,193,630
Trustee's Collections - Prior Year	109,771	0	0	109,771
Trustee's Collections - Bankruptcy	46,914	0	0	46,914
Circuit/Clerk & Master Collections - Prior Years	24,109	0	0	24,109
Interest and Penalty	29,401	0	0	29,401
Pick-up Taxes	2,583	0	0	2,583
Payments in-Lieu-of Taxes - T.V.A.	3,151	0	0	3,151
Payments in-Lieu-of Taxes - Local Utilities	61,243	0	0	61,243
<u>County Local Option Taxes</u>				
Local Option Sales Tax	2,655,401	0	0	2,655,401
Business Tax	115,568	0	0	115,568
<u>Statutory Local Taxes</u>				
Bank Excise Tax	70,399	0	0	70,399
Interstate Telecommunications Tax	2,546	0	0	2,546
Total Local Taxes	\$ 7,314,716	\$ 0	\$ 0	\$ 7,314,716
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 1,771	\$ 0	\$ 0	\$ 1,771
Total Licenses and Permits	\$ 1,771	\$ 0	\$ 0	\$ 1,771
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 370,335	\$ 370,335
Lunch Payments - Adults	0	0	50,416	50,416
Income from Breakfast	0	0	27,690	27,690
A la carte Sales	0	0	253,018	253,018
Receipts from Individual Schools	35,337	0	0	35,337
Community Service Fees - Children	8,404	0	0	8,404
Community Service Fees - Adults	1,405	0	0	1,405
<u>Other Charges for Services</u>				
Other Charges for Services	24,946	0	0	24,946
Total Charges for Current Services	\$ 70,092	\$ 0	\$ 701,459	\$ 771,551
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 70,744	\$ 0	\$ 5,009	\$ 75,753
Lease/Rentals	250	0	0	250
Sale of Materials and Supplies	4,867	0	0	4,867
Miscellaneous Refunds	128,748	0	215	128,963
<u>Nonrecurring Items</u>				
Damages Recovered from Individuals	2,058	0	0	2,058
Contributions and Gifts	107,605	0	0	107,605
<u>Other Local Revenues</u>				
Other Local Revenues	8,058	0	0	8,058
Total Other Local Revenues	\$ 322,330	\$ 0	\$ 5,224	\$ 327,554

(Continued)

Exhibit J-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 147,810	\$ 0	\$ 0	\$ 147,810
<u>State Education Funds</u>				
Basic Education Program	13,024,000	0	0	13,024,000
Early Childhood Education	230,232	0	0	230,232
School Food Service	0	0	16,358	16,358
Driver Education	12,808	0	0	12,808
Other State Education Funds	417,400	0	0	417,400
Career Ladder Program	150,629	0	0	150,629
Career Ladder - Extended Contract	135,500	0	0	135,500
<u>Other State Revenues</u>				
Income Tax	95,469	0	0	95,469
Mixed Drink Tax	9,007	0	0	9,007
State Revenue Sharing - T.V.A.	1,463,688	0	0	1,463,688
Other State Grants	70,608	0	0	70,608
Other State Revenues	20,942	0	0	20,942
Total State of Tennessee	\$ 15,778,093	\$ 0	\$ 16,358	\$ 15,794,451
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 644,990	\$ 644,990
Breakfast	0	0	306,539	306,539
USDA - Other	44,694	0	0	44,694
Adult Education State Grant Program	208,906	0	0	208,906
Vocational Education - Basic Grants to States	0	88,408	0	88,408
Other Vocational	8,000	0	0	8,000
Title I Grants to Local Education Agencies	0	756,784	0	756,784
Innovative Education Program Strategies	0	3,815	0	3,815
Special Education - Grants to States	0	634,467	0	634,467
Special Education Preschool Grants	0	49,177	0	49,177
English Language Acquisition Grants	0	19,646	0	19,646
Safe and Drug-free Schools - State Grants	0	39,488	0	39,488
Rural Education	0	82,237	0	82,237
Eisenhower Professional Development State Grants	0	174,702	0	174,702
Other Federal through State	99,050	7,919	0	106,969
Total Federal Government	\$ 360,650	\$ 1,856,643	\$ 951,529	\$ 3,168,822
Total	\$ 23,847,652	\$ 1,856,643	\$ 1,674,570	\$ 27,378,865

Exhibit J-7

Henry County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2009

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	27,000	
Dues and Memberships		1,850	
Travel		10,692	
Total County Commission			\$ 39,542

Board of Equalization

Other Per Diem and Fees	\$	800	
Total Board of Equalization			800

Other Boards and Committees

Board and Committee Members Fees	\$	4,875	
Total Other Boards and Committees			4,875

County Mayor/Executive

County Official/Administrative Officer	\$	71,322	
Secretary(ies)		29,865	
Custodial Personnel		42,015	
Maintenance Personnel		42,070	
Dues and Memberships		1,650	
Operating Lease Payments		2,471	
Maintenance and Repair Services - Office Equipment		285	
Postal Charges		719	
Travel		6,206	
Office Supplies		2,118	
In Service/Staff Development		672	
Total County Mayor/Executive			199,393

County Attorney

Other Per Diem and Fees	\$	19,765	
Total County Attorney			19,765

Election Commission

County Official/Administrative Officer	\$	55,740	
Deputy(ies)		27,865	
Election Commission		3,705	
Election Workers		20,938	
Data Processing Services		8,400	
Dues and Memberships		300	
Operating Lease Payments		6,600	
Maintenance Agreements		16,595	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Maintenance and Repair Services - Office Equipment	\$	266	
Postal Charges		2,974	
Printing, Stationery, and Forms		5,638	
Rentals		820	
Travel		2,871	
Office Supplies		3,032	
Other Charges		196	
Total Election Commission			\$ 155,940

Register of Deeds

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		83,781	
Dues and Memberships		607	
Maintenance Agreements		6,940	
Postal Charges		1,497	
Printing, Stationery, and Forms		404	
Travel		846	
Data Processing Supplies		17,470	
Duplicating Supplies		2,128	
Office Supplies		631	
Other Charges		422	
Office Equipment		332	
Total Register of Deeds			176,809

Building

Maintenance Personnel	\$	24,055	
Part-time Personnel		5,422	
Communication		238	
Maintenance and Repair Services - Buildings		7,023	
Other Contracted Services		1,500	
Custodial Supplies		4,347	
Utilities		35,378	
Total Building			77,963

County Buildings

Communication	\$	53,763	
Natural Gas		36,414	
Utilities		63,409	
Total County Buildings			153,586

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Other General Administration

Maintenance and Repair Services - Buildings	\$	21,648	
Custodial Supplies		4,972	
Other Supplies and Materials		334	
Building and Contents Insurance		90,770	
Other Charges		300	
Total Other General Administration			\$ 118,024

Preservation of Records

Part-time Personnel	\$	7,998	
Other Supplies and Materials		961	
Other Charges		1,995	
Total Preservation of Records			10,954

Finance

Accounting and Budgeting

Supervisor/Director	\$	44,781	
Deputy(ies)		26,992	
Data Processing Services		7,517	
Operating Lease Payments		1,764	
Maintenance and Repair Services - Office Equipment		225	
Postal Charges		2,363	
Travel		533	
Data Processing Supplies		1,808	
Office Supplies		868	
In Service/Staff Development		602	
Other Charges		110	
Total Accounting and Budgeting			87,563

Property Assessor's Office

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		129,796	
Dues and Memberships		1,295	
Operating Lease Payments		3,877	
Maintenance and Repair Services - Office Equipment		295	
Postal Charges		1,541	
Travel		306	
Data Processing Supplies		135	
Office Supplies		747	
Other Supplies and Materials		800	
Other Charges		216	
Total Property Assessor's Office			200,759

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program

Deputy(ies)	\$	26,944	
Contracts with Private Agencies		39,215	
Data Processing Services		4,863	
Operating Lease Payments		240	
Maintenance and Repair Services - Vehicles		639	
Postal Charges		1,409	
Gasoline		1,587	
Other Charges		1,774	
Total Reappraisal Program			\$ 76,671

County Trustee's Office

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		79,958	
Data Processing Services		23,679	
Dues and Memberships		707	
Operating Lease Payments		2,154	
Legal Notices, Recording, and Court Costs		318	
Maintenance and Repair Services - Office Equipment		494	
Postal Charges		9,803	
Printing, Stationery, and Forms		3,168	
Travel		1,018	
Office Supplies		2,611	
Total County Trustee's Office			185,661

County Clerk's Office

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		128,675	
Data Processing Services		14,813	
Dues and Memberships		632	
Operating Lease Payments		4,759	
Maintenance and Repair Services - Office Equipment		175	
Postal Charges		7,999	
Travel		1,698	
Duplicating Supplies		493	
Office Supplies		1,936	
Uniforms		256	
In Service/Staff Development		50	
Other Charges		170	
Data Processing Equipment		2,549	
Total County Clerk's Office			225,956

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		83,130	
Part-time Personnel		8,007	
Jury and Witness Fees		6,226	
Data Processing Services		11,122	
Dues and Memberships		577	
Maintenance and Repair Services - Office Equipment		2,239	
Postal Charges		5,992	
Office Supplies		15,638	
Other Charges		770	
Total Circuit Court			\$ 195,452

General Sessions Court

Deputy(ies)	\$	102,743	
Total General Sessions Court			102,743

General Sessions Judge

Judge(s)	\$	132,320	
Secretary(ies)		28,762	
Dues and Memberships		1,465	
Travel		1,602	
Periodicals		1,102	
Other Charges		19,732	
Total General Sessions Judge			184,983

Chancery Court

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		76,461	
Data Processing Services		2,742	
Dues and Memberships		652	
Legal Notices, Recording, and Court Costs		3,627	
Maintenance and Repair Services - Office Equipment		300	
Postal Charges		5,972	
Travel		766	
Data Processing Supplies		835	
Office Supplies		7,254	
Other Charges		213	
Total Chancery Court			160,573

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court

Deputy(ies)	\$	29,865	
Probation Officer(s)		79,431	
Youth Service Officer(s)		37,987	
Part-time Personnel		16,760	
Communication		4,795	
Contracts with Other Public Agencies		12,159	
Data Processing Services		2,400	
Dues and Memberships		160	
Maintenance and Repair Services - Vehicles		1,149	
Postal Charges		750	
Travel		2,522	
Data Processing Supplies		771	
Gasoline		388	
Office Supplies		2,347	
Other Supplies and Materials		378	
Other Charges		304	
Total Juvenile Court			\$ 192,166

Other Administration of Justice

Legal Services	\$	11,390	
Total Other Administration of Justice			11,390

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	67,927	
Assistant(s)		46,581	
Supervisor/Director		33,256	
Deputy(ies)		490,062	
Investigator(s)		202,285	
Lieutenant(s)		41,742	
Sergeant(s)		278,524	
Salary Supplements		19,953	
Dispatchers/Radio Operators		106,598	
Clerical Personnel		53,650	
Attendants		28,515	
Maintenance Personnel		7,630	
Temporary Personnel		17,739	
Overtime Pay		22,535	
Other Salaries and Wages		37,614	
Communication		6,260	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Data Processing Services	\$	17,364	
Dues and Memberships		2,000	
Operating Lease Payments		2,928	
Maintenance and Repair Services - Buildings		4,520	
Maintenance and Repair Services - Equipment		3,585	
Maintenance and Repair Services - Vehicles		24,549	
Postal Charges		2,806	
Tow-in Services		440	
Travel		8,446	
Other Contracted Services		4,000	
Custodial Supplies		3,848	
Gasoline		84,105	
Law Enforcement Supplies		6,997	
Office Supplies		15,586	
Tires and Tubes		5,420	
Uniforms		14,882	
Utilities		92,960	
Other Supplies and Materials		8,801	
In Service/Staff Development		6,904	
Other Charges		15,447	
Law Enforcement Equipment		32,734	
Motor Vehicles		10,500	
Total Sheriff's Department			\$ 1,829,693

Special Patrols

Nightwatchmen	\$	75,877	
Total Special Patrols			75,877

Jail

Deputy(ies)	\$	61,184	
Captain(s)		43,595	
Lieutenant(s)		41,742	
Guards		625,305	
Cafeteria Personnel		27,273	
Maintenance Personnel		30,522	
Temporary Personnel		4,308	
Part-time Personnel		5,832	
Overtime Pay		18,985	
Other Salaries and Wages		31,996	
Data Processing Services		1,090	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Maintenance and Repair Services - Buildings	\$	13,608	
Maintenance and Repair Services - Equipment		5,168	
Maintenance and Repair Services - Office Equipment		169	
Maintenance and Repair Services - Vehicles		1,310	
Medical and Dental Services		32,155	
Transportation - Other than Students		1,971	
Travel		2,821	
Custodial Supplies		17,119	
Drugs and Medical Supplies		15,226	
Food Preparation Supplies		3,193	
Food Supplies		151,584	
Prisoners Clothing		6,325	
Uniforms		12,352	
Other Supplies and Materials		4,546	
In Service/Staff Development		540	
Other Charges		9,653	
Total Jail			\$ 1,169,572

Fire Prevention and Control

Contributions	\$	31,250	
Total Fire Prevention and Control			31,250

Rescue Squad

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

Other Emergency Management

Supervisor/Director	\$	17,811	
Social Security		1,104	
State Retirement		1,268	
Employer Medicare		258	
Communication		3,391	
Maintenance and Repair Services - Buildings		736	
Maintenance and Repair Services - Equipment		589	
Maintenance and Repair Services - Vehicles		680	
Travel		2,141	
Utilities		1,200	
Other Supplies and Materials		1,456	
Other Charges		49,660	
Total Other Emergency Management			80,294

(Continued)

Exhibit J-7

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

General Fund (Cont.)Public Safety (Cont.)County Coroner/Medical Examiner

Other Per Diem and Fees	\$	18,450	
Maintenance and Repair Services - Vehicles		499	
Pauper Burials		100	
Other Contracted Services		22,125	
Gasoline		289	
Total County Coroner/Medical Examiner			\$ 41,463

Public Health and WelfareLocal Health Center

Medical Personnel	\$	33,654	
Part-time Personnel		6,912	
Other Salaries and Wages		12,631	
Social Security		3,279	
State Retirement		950	
Medical Insurance		6,878	
Unemployment Compensation		400	
Employer Medicare		767	
Communication		1,496	
Contracts with Government Agencies		23,000	
Dues and Memberships		210	
Maintenance and Repair Services - Buildings		5,700	
Maintenance and Repair Services - Office Equipment		1,433	
Postal Charges		620	
Travel		1,382	
Custodial Supplies		4,902	
Drugs and Medical Supplies		2,187	
Office Supplies		2,673	
Other Charges		650	
Total Local Health Center			109,724

Rabies and Animal Control

Contracts with Other Public Agencies	\$	9,472	
Total Rabies and Animal Control			9,472

Maternal and Child Health Services

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

Alcohol and Drug Programs

Contributions	\$	7,800	
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(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Alcohol and Drug Programs (Cont.)

Drug Treatment	\$ 449	
Total Alcohol and Drug Programs		\$ 8,249

Crippled Children Services

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

Other Local Health Services

Contributions	\$ 19,000	
Other Supplies and Materials	1,347	
Total Other Local Health Services		20,347

Sanitation Management

Contracts with Private Agencies	\$ 19,529	
Total Sanitation Management		19,529

Social, Cultural, and Recreational Services

Adult Activities

Supervisor/Director	\$ 25,214	
Social Workers	11,419	
Bus Drivers	9,114	
Part-time Personnel	17,807	
Other Salaries and Wages	8,740	
Social Security	4,422	
Handling Charges and Administrative Costs	1,415	
State Retirement	2,508	
Unemployment Compensation	1,315	
Employer Medicare	1,034	
Communication	830	
Maintenance and Repair Services - Vehicles	1,500	
Postal Charges	688	
Printing, Stationery, and Forms	812	
Travel	4,400	
Other Contracted Services	3,432	
Gasoline	1,565	
Office Supplies	988	
Other Charges	1,078	
Total Adult Activities		98,281

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Senior Citizens Assistance

Contributions	\$ 1,000	
Total Senior Citizens Assistance		\$ 1,000

Libraries

Contributions	\$ 114,350	
Total Libraries		114,350

Parks and Fair Boards

Contributions	\$ 6,000	
Total Parks and Fair Boards		6,000

Other Social, Cultural, and Recreational

Contributions	\$ 28,774	
Total Other Social, Cultural, and Recreational		28,774

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$ 60,901	
Secretary(ies)	7,352	
Part-time Personnel	9,450	
Social Security	3,405	
State Retirement	8,310	
Employer Medicare	344	
Communication	2,818	
Operating Lease Payments	2,398	
Postal Charges	260	
Rentals	10,000	
Travel	2,800	
Custodial Supplies	4,842	
Office Supplies	650	
Utilities	11,013	
Other Charges	682	
Data Processing Equipment	2,174	
Total Agriculture Extension Service		127,399

Soil Conservation

Secretary(ies)	\$ 26,944	
Social Security	1,647	
State Retirement	1,962	
Unemployment Compensation	210	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Soil Conservation (Cont.)

Employer Medicare	\$ 385	
Total Soil Conservation		\$ 31,148

Flood Control

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

Other Operations

Tourism

Advertising	\$ 6,000	
Contributions	20,550	
Total Tourism		26,550

Tourism-Resort District

Contributions	\$ 579,211	
Total Tourism-Resort District		579,211

Industrial Development

Contributions	\$ 55,000	
Other Charges	10,500	
Total Industrial Development		65,500

Airport

Supervisor/Director	\$ 35,934
Part-time Personnel	13,394
Other Salaries and Wages	17,422
Social Security	4,110
State Retirement	3,932
Employer Medicare	961
Communication	1,982
Dues and Memberships	225
Maintenance and Repair Services - Buildings	4,524
Maintenance and Repair Services - Equipment	20,793
Maintenance and Repair Services - Vehicles	368
Travel	1,002
Remittance of Revenue Collected	9,747
Other Contracted Services	1,861
Diesel Fuel	1,027
Gasoline	174,041
Office Supplies	300

(Continued)

Exhibit J-7

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

General Fund (Cont.)Other Operations (Cont.)Airport (Cont.)

Utilities	\$	18,508	
Liability Insurance		4,050	
Other Charges		3,225	
Airport Improvement		792,856	
Other Equipment		1,414	
Total Airport			\$ 1,111,676

Veterans' Services

County Official/Administrative Officer	\$	28,585	
Dues and Memberships		125	
Maintenance and Repair Services - Vehicles		959	
Postal Charges		390	
Transportation - Other than Students		480	
Travel		919	
Gasoline		1,510	
Office Supplies		935	
In Service/Staff Development		224	
Total Veterans' Services			34,127

Other Charges

Advertising	\$	1,162	
Audit Services		9,335	
Dues and Memberships		11,243	
Pest Control		6,500	
Other Supplies and Materials		3,150	
Premiums on Corporate Surety Bonds		3,421	
Trustee's Commission		78,748	
Total Other Charges			113,559

Contributions to Other Agencies

Contributions	\$	10,500	
Matching Share		51,876	
Remittance of Revenue Collected		184,909	
Total Contributions to Other Agencies			247,285

Employee Benefits

Longevity Pay	\$	16,250	
Social Security		261,037	
State Retirement		299,714	
Medical Insurance		600,570	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Employee Benefits (Cont.)

Unemployment Compensation	\$	29,525	
Employer Medicare		61,462	
Workers' Compensation Insurance		85,050	
Total Employee Benefits			\$ 1,353,608

Miscellaneous

Other Contracted Services	\$	8,500	
Other Charges		42,068	
Land		5,445	
Total Miscellaneous			<u>56,013</u>

Total General Fund \$ 10,002,137

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$	31,765	
Social Security		1,969	
State Retirement		2,420	
Medical Insurance		5,152	
Unemployment Compensation		210	
Employer Medicare		461	
Advertising		267	
Dues and Memberships		209	
Postal Charges		71	
Travel		126	
Office Supplies		73	
Total Sanitation Management			\$ 42,723

Recycling Center

Foremen	\$	29,554	
Truck Drivers		170,118	
Part-time Personnel		616	
Longevity Pay		200	
Overtime Pay		253	
Social Security		12,338	
State Retirement		13,526	
Medical Insurance		44,690	
Unemployment Compensation		2,100	
Employer Medicare		2,886	

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Recycling Center (Cont.)

Communication	\$	3,192	
Freight Expenses		15,100	
Maintenance and Repair Services - Buildings		2,557	
Maintenance and Repair Services - Equipment		12,717	
Maintenance and Repair Services - Vehicles		5,863	
Pest Control		160	
Rentals		450	
Custodial Supplies		555	
Food Supplies		3,675	
Gasoline		30,180	
Natural Gas		554	
Office Supplies		83	
Small Tools		397	
Tires and Tubes		4,584	
Utilities		9,478	
Wire		3,012	
Other Supplies and Materials		1,842	
Other Charges		22,595	
Office Equipment		469	
Total Recycling Center			\$ 393,744

Landfill Operation and Maintenance

Contracts with Government Agencies	\$	5,000	
Total Landfill Operation and Maintenance			5,000

Other Waste Disposal

Disposal Fees	\$	21,209	
Total Other Waste Disposal			21,209

Other Operations

Other Charges

Trustee's Commission	\$	5,863	
Total Other Charges			5,863

Total Solid Waste/Sanitation Fund \$ 468,539

Drug Control Fund

Public Safety

Drug Enforcement

Communication	\$	628	
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(Continued)

Exhibit J-7

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Contracts with Government Agencies	\$	6,195	
Confidential Drug Enforcement Payments		9,666	
Maintenance Agreements		11,901	
Maintenance and Repair Services - Equipment		330	
Maintenance and Repair Services - Vehicles		292	
Rentals		2,500	
Tow-in Services		1,390	
Travel		162	
Remittance of Revenue Collected		9,891	
Other Contracted Services		3,000	
Animal Food and Supplies		2,428	
Gasoline		1,229	
Law Enforcement Supplies		1,628	
Natural Gas		686	
Utilities		491	
Trustee's Commission		583	
In Service/Staff Development		515	
Other Charges		4,422	
Law Enforcement Equipment		1,839	
Total Drug Enforcement			\$ 59,776

Total Drug Control Fund \$ 59,776

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	67,927
Assistant(s)		32,926
Guards		66,442
Secretary(ies)		56,809
Custodial Personnel		5,921
Part-time Personnel		3,700
Other Salaries and Wages		23,350
Board and Committee Members Fees		7,260
Maintenance and Repair Services - Buildings		919
Maintenance and Repair Services - Office Equipment		683
Postal Charges		996
Printing, Stationery, and Forms		853
Travel		1,000
Permits		1,500

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Custodial Supplies	\$	340	
Drugs and Medical Supplies		770	
Office Supplies		770	
In Service/Staff Development		650	
Other Charges		590	
Total Administration			\$ 273,406

Highway and Bridge Maintenance

Equipment Operators	\$	369,047	
Truck Drivers		209,938	
Laborers		160,237	
Overtime Pay		10,000	
Rentals		2,315	
Other Contracted Services		40,156	
Asphalt - Hot Mix		37,365	
Asphalt - Liquid		150,000	
Concrete		1,207	
Crushed Stone		247,824	
General Construction Materials		1,945	
Other Road Supplies		1,046	
Pipe		45,332	
Road Signs		13,896	
Small Tools		2,809	
Wood Products		7,217	
Other Charges		2,328	
Total Highway and Bridge Maintenance			1,302,662

Operation and Maintenance of Equipment

Mechanic(s)	\$	177,279	
Overtime Pay		4,912	
Maintenance and Repair Services - Equipment		15,429	
Tow-in Services		100	
Other Contracted Services		15,786	
Diesel Fuel		140,426	
Equipment and Machinery Parts		109,022	
Garage Supplies		1,903	
Gasoline		92,373	
Ice		960	
Lubricants		12,712	
Propane Gas		307	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Small Tools	\$	1,237	
Tires and Tubes		39,937	
Other Supplies and Materials		12,255	
Other Charges		800	
Total Operation and Maintenance of Equipment			\$ 625,438

Litter and Trash Collection

Educational Assistants	\$	4,041	
Other Salaries and Wages		21,202	
Handling Charges and Administrative Costs		2,454	
Instructional Supplies and Materials		7,039	
Library Books/Media		1,000	
Other Charges		5,680	
Total Litter and Trash Collection			41,416

Other Charges

Communication	\$	6,379	
Data Processing Services		5,121	
Dues and Memberships		3,014	
Evaluation and Testing		1,547	
Legal Notices, Recording, and Court Costs		555	
Data Processing Supplies		488	
Utilities		17,351	
Water and Sewer		2,276	
Premiums on Corporate Surety Bonds		900	
Trustee's Commission		53,734	
Vehicle and Equipment Insurance		17,150	
Workers' Compensation Insurance		103,138	
Other Self-Insured Claims		415	
Other Charges		956	
Total Other Charges			213,024

Employee Benefits

Salary Supplements	\$	19,962	
Social Security		74,712	
State Retirement		83,968	
Medical Insurance		298,569	
Unemployment Compensation		10,872	
Employer Medicare		17,699	
Total Employee Benefits			505,782

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay

Engineering Services	\$	592	
Bridge Construction		67,011	
Building Improvements		5,118	
Highway Construction		515,822	
Highway Equipment		15,531	
Motor Vehicles		19,741	
Office Equipment		250	
Plant Operation Equipment		4,993	
Total Capital Outlay			\$ 629,058

Principal on Debt

Highways and Streets

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

Interest on Debt

Highways and Streets

Interest on Notes	\$	1,934	
Total Highways and Streets			1,934

Total Highway/Public Works Fund \$ 3,642,720

General Debt Service Fund

Other Operations

Other Charges

Trustee's Commission	\$	11,713	
Total Other Charges			\$ 11,713

Principal on Debt

General Government

Principal on Notes	\$	349,974	
Principal on Other Loans		461,000	
Total General Government			810,974

Education

Principal on Bonds	\$	930,740	
Principal on Notes		71,410	
Principal on Other Loans		177,700	
Total Education			1,179,850

(Continued)

Exhibit J-7

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

General Debt Service Fund (Cont.)

Interest on Debt

General Government

Interest on Notes	\$ 37,327	
Interest on Other Loans	25,686	
Total General Government		\$ 63,013

Education

Interest on Bonds	\$ 546,733	
Interest on Other Loans	23,484	
Total Education		570,217

Other Debt Service

General Government

Bank Charges	\$ 6,639	
Total General Government		6,639

Education

Bank Charges	\$ 7,756	
Total Education		7,756

Total General Debt Service Fund \$ 2,650,162

General Capital Projects Fund

Capital Projects

General Administration Projects

Building Improvements	\$ 16,862	
Data Processing Equipment	2,952	
Heating and Air Conditioning Equipment	6,400	
Law Enforcement Equipment	29,446	
Motor Vehicles	90,072	
Right-of-Way	262,110	
Other Equipment	79,766	
Other Construction	993,279	
Other Capital Outlay	3,565	
Total General Administration Projects		\$ 1,484,452

Administration of Justice Projects

Building Construction	\$ 57,212	
Building Improvements	129,664	
Furniture and Fixtures	13,881	
Total Administration of Justice Projects		200,757

(Continued)

Exhibit J-7

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

<u>General Capital Projects Fund (Cont.)</u>			
<u>Capital Projects (Cont.)</u>			
<u>Other General Government Projects</u>			
Other Construction	\$	800	
Total Other General Government Projects			\$ 800
Total General Capital Projects Fund			\$ 1,686,009
Total Governmental Funds - Primary Government			\$ 18,509,343

Exhibit J-8

Henry County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Henry County School Department
For the Year Ended June 30, 2009

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 7,080,085	
Career Ladder Program	94,305	
Career Ladder Extended Contracts	55,637	
Homebound Teachers	22,650	
Educational Assistants	258,784	
Other Salaries and Wages	96,510	
Certified Substitute Teachers	19,814	
Non-certified Substitute Teachers	57,206	
Social Security	443,533	
State Retirement	477,491	
Medical Insurance	1,059,873	
Unemployment Compensation	6,470	
Employer Medicare	105,761	
Other Fringe Benefits	5,936	
Maintenance and Repair Services - Equipment	10,935	
Other Contracted Services	44,020	
Instructional Supplies and Materials	182,309	
Textbooks	184,009	
Other Supplies and Materials	50,425	
Other Charges	72,401	
Regular Instruction Equipment	189,980	
Total Regular Instruction Program		\$ 10,518,134

Alternative Instruction Program

Teachers	\$ 111,445	
Homebound Teachers	24,790	
Educational Assistants	26,641	
Non-certified Substitute Teachers	238	
Social Security	7,910	
State Retirement	9,177	
Medical Insurance	18,667	
Unemployment Compensation	121	
Employer Medicare	2,210	
Other Fringe Benefits	87	
Instructional Supplies and Materials	1,218	
Total Alternative Instruction Program		202,504

Special Education Program

Teachers	\$ 896,228
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(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Career Ladder Program	\$	8,510	
Career Ladder Extended Contracts		3,650	
Educational Assistants		82,073	
Speech Pathologist		128,211	
Certified Substitute Teachers		2,899	
Non-certified Substitute Teachers		14,452	
Social Security		66,224	
State Retirement		71,943	
Medical Insurance		148,870	
Unemployment Compensation		1,086	
Employer Medicare		15,659	
Other Fringe Benefits		1,673	
Total Special Education Program			\$ 1,441,478

Vocational Education Program

Teachers	\$	600,375	
Career Ladder Program		3,000	
Certified Substitute Teachers		1,315	
Non-certified Substitute Teachers		8,120	
Social Security		35,626	
State Retirement		38,856	
Medical Insurance		92,050	
Unemployment Compensation		488	
Employer Medicare		8,360	
Other Fringe Benefits		466	
Maintenance and Repair Services - Equipment		1,094	
Instructional Supplies and Materials		10,796	
Textbooks		4,942	
Total Vocational Education Program			805,488

Adult Education Program

Teachers	\$	136,250
Other Salaries and Wages		42,948
Social Security		9,818
State Retirement		8,485
Medical Insurance		8,323
Unemployment Compensation		243
Employer Medicare		2,504
Other Fringe Benefits		175

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Adult Education Program (Cont.)

Other Contracted Services	\$	11,181	
Instructional Supplies and Materials		10,723	
Other Charges		6,051	
Total Adult Education Program			\$ 236,701

Support Services

Attendance

Supervisor/Director	\$	62,143	
Career Ladder Program		1,500	
Career Ladder Extended Contracts		4,000	
Social Workers		41,189	
Other Salaries and Wages		20,570	
Social Security		6,225	
State Retirement		5,793	
Medical Insurance		3,166	
Unemployment Compensation		95	
Employer Medicare		1,865	
Other Fringe Benefits		146	
Travel		2,922	
Other Contracted Services		50,242	
Other Supplies and Materials		9,838	
Total Attendance			209,694

Health Services

Medical Personnel	\$	138,980	
Other Salaries and Wages		29,078	
Social Security		10,208	
State Retirement		12,132	
Medical Insurance		5,698	
Unemployment Compensation		265	
Employer Medicare		2,387	
Other Fringe Benefits		233	
Travel		8,893	
Other Contracted Services		8,413	
Drugs and Medical Supplies		7,121	
Other Supplies and Materials		78,481	
Total Health Services			301,889

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support

Career Ladder Program	\$	5,000	
Guidance Personnel		399,435	
Career Ladder Extended Contracts		8,000	
Secretary(ies)		24,553	
Social Security		25,730	
State Retirement		28,342	
Medical Insurance		34,747	
Unemployment Compensation		312	
Employer Medicare		6,018	
Other Fringe Benefits		1,979	
Evaluation and Testing		22,037	
Other Supplies and Materials		8,166	
Other Charges		21,202	
Total Other Student Support			\$ 585,521

Regular Instruction Program

Supervisor/Director	\$	175,592	
Career Ladder Program		7,000	
Career Ladder Extended Contracts		18,212	
Librarians		276,535	
Instructional Computer Personnel		88,426	
Secretary(ies)		25,875	
Clerical Personnel		27,155	
Other Salaries and Wages		60,030	
Social Security		35,988	
State Retirement		40,957	
Medical Insurance		72,586	
Unemployment Compensation		497	
Employer Medicare		9,205	
Other Fringe Benefits		378	
Travel		26,543	
Library Books/Media		46,596	
Other Supplies and Materials		9,881	
In Service/Staff Development		29,544	
Total Regular Instruction Program			951,000

Alternative Instruction Program

Supervisor/Director	\$	65,502
Career Ladder Program		2,000

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Alternative Instruction Program (Cont.)

Career Ladder Extended Contracts	\$	4,000	
Social Security		4,378	
State Retirement		4,590	
Medical Insurance		5,121	
Unemployment Compensation		32	
Employer Medicare		1,024	
Other Fringe Benefits		29	
Communication		596	
Travel		200	
Total Alternative Instruction Program			\$ 87,472

Special Education Program

Supervisor/Director	\$	67,432	
Career Ladder Program		1,000	
Psychological Personnel		289	
Career Ladder Extended Contracts		2,000	
Secretary(ies)		26,121	
Social Security		5,858	
State Retirement		6,523	
Medical Insurance		8,920	
Unemployment Compensation		63	
Employer Medicare		1,370	
Other Fringe Benefits		58	
Total Special Education Program			119,634

Vocational Education Program

Supervisor/Director	\$	36,459	
Career Ladder Program		1,000	
Social Security		2,290	
State Retirement		2,396	
Medical Insurance		5,121	
Unemployment Compensation		30	
Employer Medicare		521	
Other Fringe Benefits		29	
Travel		15,550	
Total Vocational Education Program			63,396

Other Programs

On-Behalf Payments to OPEB	\$	147,810	
Total Other Programs			147,810

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education

Secretary to Board	\$	2,192	
Other Salaries and Wages		30,055	
Board and Committee Members Fees		9,210	
Social Security		2,566	
State Retirement		2,448	
Unemployment Compensation		35	
Employer Medicare		600	
Audit Services		17,720	
Dues and Memberships		5,236	
Legal Services		1,720	
Travel		4,296	
Liability Insurance		24,320	
Trustee's Commission		175,488	
Workers' Compensation Insurance		138,642	
Criminal Investigation of Applicants - TBI		2,700	
Refund to Applicant for Criminal Investigation		2,316	
Other Charges		16,543	
Total Board of Education			\$ 436,087

Director of Schools

County Official/Administrative Officer	\$	120,917	
Career Ladder Program		1,000	
Secretary(ies)		42,800	
Clerical Personnel		25,875	
Social Security		10,580	
State Retirement		13,039	
Medical Insurance		11,808	
Unemployment Compensation		92	
Employer Medicare		2,719	
Other Fringe Benefits		262	
Communication		13,046	
Dues and Memberships		2,703	
Postal Charges		7,749	
Travel		6,082	
Other Contracted Services		7,844	
Office Supplies		9,811	
Other Charges		2,801	
Total Director of Schools			279,128

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal

Principals	\$	411,941	
Career Ladder Program		9,000	
Accountants/Bookkeepers		23,233	
Career Ladder Extended Contracts		37,990	
Assistant Principals		316,938	
Secretary(ies)		129,853	
Clerical Personnel		19,735	
Social Security		56,632	
State Retirement		61,383	
Medical Insurance		69,002	
Unemployment Compensation		651	
Employer Medicare		13,257	
Other Fringe Benefits		597	
Communication		17,045	
Dues and Memberships		1,075	
Travel		4,137	
Office Supplies		3,043	
Other Charges		13,150	
Total Office of the Principal			\$ 1,188,662

Fiscal Services

Accountants/Bookkeepers	\$	77,024	
Social Security		4,590	
State Retirement		5,846	
Medical Insurance		5,698	
Unemployment Compensation		63	
Employer Medicare		1,073	
Other Fringe Benefits		58	
Travel		327	
Other Contracted Services		3,765	
Total Fiscal Services			98,444

Operation of Plant

Other Contracted Services	\$	527,506	
Electricity		585,046	
Natural Gas		163,441	
Water and Sewer		60,822	
Boiler Insurance		5,559	
Building and Contents Insurance		101,270	
Total Operation of Plant			1,443,644

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant

Supervisor/Director	\$	56,342	
Secretary(ies)		13,061	
Maintenance Personnel		186,176	
Social Security		13,380	
State Retirement		16,180	
Medical Insurance		12,005	
Unemployment Compensation		337	
Employer Medicare		3,675	
Other Fringe Benefits		262	
Laundry Service		4,175	
Other Contracted Services		66,643	
Other Supplies and Materials		129,820	
Other Charges		3,354	
Total Maintenance of Plant			\$ 505,410

Transportation

Supervisor/Director	\$	46,217
Mechanic(s)		107,284
Bus Drivers		525,860
Clerical Personnel		24,334
Other Salaries and Wages		29,897
In-Service Training		1,920
Social Security		44,147
State Retirement		51,174
Medical Insurance		7,598
Unemployment Compensation		1,639
Employer Medicare		10,481
Other Fringe Benefits		1,222
Contracts with Parents		15,179
Laundry Service		4,277
Maintenance and Repair Services - Vehicles		17,691
Medical and Dental Services		6,558
Diesel Fuel		192,110
Garage Supplies		30
Gasoline		19,385
Lubricants		7,931
Tires and Tubes		29,967
Vehicle Parts		66,748
Other Supplies and Materials		21,020

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Vehicle and Equipment Insurance	\$	31,267	
Other Charges		15,457	
Total Transportation			\$ 1,279,393

Operation of Non-Instructional Services

Community Services

Teachers	\$	55,810	
Other Salaries and Wages		98,911	
Social Security		9,295	
State Retirement		10,494	
Medical Insurance		5,197	
Unemployment Compensation		229	
Employer Medicare		2,174	
Travel		7,673	
Other Contracted Services		80,375	
Food Supplies		39,577	
Other Supplies and Materials		95,419	
Other Charges		24,091	
Total Community Services			429,245

Early Childhood Education

Teachers	\$	109,940	
Educational Assistants		71,871	
Other Salaries and Wages		126	
Certified Substitute Teachers		992	
Non-certified Substitute Teachers		1,444	
Social Security		11,075	
State Retirement		12,427	
Medical Insurance		15,073	
Unemployment Compensation		284	
Employer Medicare		2,595	
Travel		1,114	
Other Contracted Services		432	
Food Supplies		4,602	
Instructional Supplies and Materials		2,915	
Other Supplies and Materials		12,486	
In Service/Staff Development		1,091	
Other Charges		424	
Total Early Childhood Education			248,891

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Capital Outlay

Regular Capital Outlay

Building Construction	\$	128,190	
Building Improvements		98,463	
Other Capital Outlay		59,280	
Total Regular Capital Outlay			\$ 285,933

Other Debt Service

Education

Contributions	\$	1,548,882	
Total Education			1,548,882

Total General Purpose School Fund \$ 23,414,440

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	467,957	
Educational Assistants		81,192	
Other Salaries and Wages		27,500	
Certified Substitute Teachers		1,302	
Non-certified Substitute Teachers		3,962	
Social Security		33,889	
State Retirement		37,532	
Medical Insurance		50,541	
Unemployment Compensation		606	
Employer Medicare		7,943	
Instructional Supplies and Materials		171,138	
Total Regular Instruction Program			\$ 883,562

Special Education Program

Teachers	\$	192,405	
Educational Assistants		190,006	
Social Security		22,373	
State Retirement		26,122	
Medical Insurance		51,953	
Unemployment Compensation		603	
Employer Medicare		5,232	
Maintenance and Repair Services - Equipment		2,199	
Instructional Supplies and Materials		34,642	
Special Education Equipment		5,521	
Total Special Education Program			531,056

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Educational Assistants	\$	12,123	
Other Salaries and Wages		16,916	
Social Security		1,666	
State Retirement		2,200	
Medical Insurance		3,799	
Unemployment Compensation		63	
Employer Medicare		342	
Instructional Supplies and Materials		23,021	
Total Vocational Education Program			\$ 60,130

Support Services

Attendance

Other Salaries and Wages	\$	20,467	
Social Security		1,269	
State Retirement		538	
Unemployment Compensation		32	
Employer Medicare		297	
Travel		1,199	
Other Supplies and Materials		197	
Total Attendance			23,999

Other Student Support

Other Salaries and Wages	\$	2,945	
Social Security		177	
State Retirement		189	
Employer Medicare		41	
Travel		18,127	
Other Contracted Services		460	
Other Supplies and Materials		3,048	
In Service/Staff Development		8,000	
Other Charges		8,607	
Total Other Student Support			41,594

Regular Instruction Program

Supervisor/Director	\$	62,757
Secretary(ies)		26,121
In-Service Training		6,000
Social Security		5,770
State Retirement		6,394

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Medical Insurance	\$	3,799	
Unemployment Compensation		57	
Employer Medicare		1,349	
Postal Charges		42	
Travel		4,581	
Other Supplies and Materials		1,527	
In Service/Staff Development		48,962	
Other Charges		780	
Total Regular Instruction Program			\$ 168,139

Special Education Program

Psychological Personnel	\$	93,778	
Social Security		5,458	
State Retirement		6,021	
Medical Insurance		11,783	
Unemployment Compensation		63	
Employer Medicare		1,276	
Travel		9,602	
Other Contracted Services		32,520	
In Service/Staff Development		3,446	
Total Special Education Program			163,947

Vocational Education Program

Other Supplies and Materials	\$	358	
In Service/Staff Development		1,932	
Other Charges		1,000	
Total Vocational Education Program			3,290

Transportation

Bus Drivers	\$	12,051	
Social Security		747	
State Retirement		912	
Unemployment Compensation		32	
Employer Medicare		175	
Contracts with Parents		6,207	
Total Transportation			20,124

Total School Federal Projects Fund \$ 1,895,841

(Continued)

Exhibit J-8

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

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	46,217	
Accountants/Bookkeepers		25,168	
Cafeteria Personnel		456,797	
Social Security		30,686	
State Retirement		32,573	
Medical Insurance		27,584	
Unemployment Compensation		1,489	
Employer Medicare		7,327	
Communication		2,572	
Maintenance and Repair Services - Equipment		3,292	
Travel		1,545	
Other Contracted Services		54,760	
Food Preparation Supplies		5,936	
Food Supplies		787,601	
Uniforms		5,250	
Other Supplies and Materials		50,779	
In Service/Staff Development		3,562	
Other Charges		2,575	
Food Service Equipment		56,376	
Total Food Service			\$ 1,602,089

Total Central Cafeteria Fund

\$ 1,602,089

Total Governmental Funds - Henry County School Department

\$ 26,912,370

Exhibit J-9

Henry County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balances - City Agency Funds
For the Year Ended June 30, 2009

	Cities - Sales Tax Fund	Special School District Fund	Total
<u>Cash Receipts</u>			
Current Property Tax	\$ 0	\$ 2,020,136	\$ 2,020,136
Trustee's Collections - Prior Year	0	60,693	60,693
Trustee's Collections - Bankruptcy	0	22,655	22,655
Circuit/Clerk & Master Collections - Prior Years	0	16,439	16,439
Interest and Penalty	0	14,247	14,247
Payments in-Lieu-of Taxes - T.V.A.	0	1,522	1,522
Payments in-Lieu-of Taxes - Local Utilities	0	29,576	29,576
Local Option Sales Tax	3,365,228	1,290,292	4,655,520
Business Tax	0	56,278	56,278
Bank Excise Tax	0	33,998	33,998
Interstate Telecommunications Tax	0	1,291	1,291
City/School District Property Taxes:			
Current Property Tax	0	957,882	957,882
Prior Year's Property Tax	0	29,988	29,988
Interest and Penalty	0	6,425	6,425
Marriage Licenses	0	861	861
Income Tax	0	67,874	67,874
Mixed Drink Tax	0	4,388	4,388
Total Cash Receipts	<u>\$ 3,365,228</u>	<u>\$ 4,614,545</u>	<u>\$ 7,979,773</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 3,331,576	\$ 4,525,806	\$ 7,857,382
Trustee's Commission	33,652	76,162	109,814
Total Cash Disbursements	<u>\$ 3,365,228</u>	<u>\$ 4,601,968</u>	<u>\$ 7,967,196</u>
Excess of Cash Receipts Over (Under)			
Cash Disbursements	\$ 0	\$ 12,577	\$ 12,577
Cash Balance, July 1, 2008	0	183,230	183,230
Cash Balance, June 30, 2009	<u>\$ 0</u>	<u>\$ 195,807</u>	<u>\$ 195,807</u>

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SINGLE AUDIT SECTION

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

March 8, 2010

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henry County, Tennessee, as of and for the year ended June 30, 2009, which collectively comprise Henry County's basic financial statements and have issued our report thereon dated March 8, 2010. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Henry County Medical Center and the Henry County Emergency Communications District (discretely presented component units) as described in our report on Henry County's financial statements. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 09.01, 09.02, 09.05, 09.06, 09.07, and 09.08.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 09.01 and 09.02 to be material weaknesses.

Compliance and Other Matters

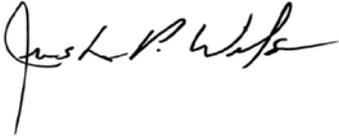
As part of obtaining reasonable assurance about whether Henry County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 09.03 and 09.04.

We consider item 09.09 described in the accompanying Schedule of Findings and Questioned Costs to be a noteworthy control deficiency over financial operations. We also noted certain matters that we reported to management of Henry County in separate communications.

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

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

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical stroke at the end.

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

March 8, 2010

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Henry County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Henry County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Henry County's management. Our responsibility is to express an opinion on Henry County's compliance based on our audit.

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

believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Henry County's compliance with those requirements.

As described in items 09.02 and 09.10 in the accompanying Schedule of Finding and Questioned Costs, Henry County did not comply with requirements regarding activities allowed or unallowed; allowable costs/cost principles; equipment and real property management; procurement, suspension, and debarment; and reporting that are applicable to its Rural Economic Development Loans and Grants. Compliance with such requirements is necessary, in our opinion, for Henry County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Henry County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

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

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 09.02 and 09.10 to be significant deficiencies.

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. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider items 09.02 and 09.10 to be material weaknesses.

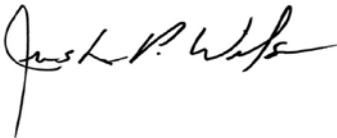
Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henry County as of and for the year ended June 30, 2009, and have issued our report thereon dated March 8, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Henry County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

Yours very truly,



Justin P. Wilson
Comptroller of the Treasury

JPW/yu

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Henry County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2009

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	\$ 118,780 (9)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	306,539
National School Lunch Program	10.555	N/A	644,990 (9)
Child and Adult Care Food Program	10.558	(2)	44,694
Total U.S. Department of Agriculture			<u>\$ 1,115,003</u>
U.S. Department of Agriculture Rural Development:			
Passed-through Paris Board of Public Utilities:			
Rural Economic Development Loans and Grants	10.854	(2)	<u>\$ 900,000</u>
Total U.S. Department of Agriculture and Rural Development			<u>\$ 900,000</u>
U.S. Department of Housing and Urban Development:			
Direct Program:			
Shelter Plus Care	14.238	TN37C307001	\$ 132,583
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	GG-06-12699-00	<u>110,307</u>
Total U.S. Department of Housing and Urban Development:			<u>\$ 242,890</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(3)	\$ 46,608
Direct Program:			
Bulletproof Vest Partnership Program	16.607	(2)	<u>3,592</u>
Total U.S. Department of Justice			<u>\$ 50,200</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Airport Improvement Program	20.106	Z-08-200683-00	\$ 204,101
State and Community Highway Safety	20.601	Z-08-023841-00	2,612
Alcohol Open Container Requirements	20.607	Z-09-217218-00	<u>31,934</u>
Total U.S. Department of Transportation			<u>\$ 238,647</u>

(Continued)

Henry County, Tennessee

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

Federal/Pass Through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	(4)	\$ 208,906
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	764,045
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	668,224
Special Education - Preschool Grants	84.173	N/A	48,252
Career and Technical Education -- Basic Grants to States	84.048	N/A	89,656
Safe and Drug-free Schools and Communities - State Grants	84.186	N/A	13,904
Safe and Drug-free Schools and Communities - Governors Grants	84.186B	NA	23,999
State Grants for Innovative Programs	84.298	N/A	4,036
Rural Education	84.358	N/A	82,237
English Language Acquisition Grants	84.365A	N/A	19,671
Improving Teacher Quality State Grants	84.367	N/A	<u>184,615</u>
Total U.S. Department of Education			<u>\$ 2,107,545</u>
U.S. Elections Assistance Commission:			
Passed-through Tennessee Secretary of State:			
Help American Vote Act Requirements Payments	90.401	Z-09-217218-00	\$ 6,600
Total U.S. Elections Assistance Commission			<u>\$ 6,600</u>
U.S. Department of Health and Human Services:			
Passed-through Northwest Tennessee Development District:			
Special Programs for the Aging - Title II, Part B - Grants for Supportive Services and Senior Centers	93.044	(2)	\$ 38,060
Passed-through Tennessee State University:			
Head Start	93.600	(2)	<u>99,050</u>
Total U.S. Department of Health and Human Services			<u>\$ 137,110</u>
U.S. Corporation for National and Community Service:			
Passed-through State Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	009-08-2-005	\$ 7,875
Total U.S. Corporation for National and Community Service			<u>\$ 7,875</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1821-DR-TN	\$ 38,371
Emergency Management Performance Grants	97.042	(5)	23,509
Homeland Security Grant Program	97.067	GG-07-21337-01	<u>31,303</u>
Total U.S. Department of Homeland Security			<u>\$ 93,183</u>
Total Federal Grants			<u>\$ 4,899,053</u>

(Continued)

Henry County, Tennessee

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

Federal/Pass Through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
State Grants			
Airport Maintenance Program - State Department of Transportation	N/A	(6)	\$ 596,532
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	15,736
Optional Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-08-020230	10,024
Preventive Health and Human Services - State Department of Health	N/A	(7)	56,923
Litter Grant - State Department of Transportation	N/A	Z-08-21005-00	33,979
Airport Upgrade - State Department of Transportation	N/A	Z-09-213906-00	69,996
Recycling Equipment Grant - State Department of Environment and Conservation	N/A	(8)	24,135
Lottery for Education: Afterschool Programs - State Department of Education	N/A	119-09-1-018	142,055
Internet Connectivity Grant - State Department of Education	N/A	(2)	15,068
Safe Schools Act - State Department of Education	N/A	(2)	31,429
Coordinated School Health Improvement for Essential Structures - State Department of Education	N/A	(2)	135,000
Family Resource Center - State Commission on Children and Youth	N/A	(2)	33,300
High Schools That Work - State Department of Education	N/A	(2)	<u>8,000</u>
Total State Grants			<u>\$ 1,172,177</u>

(1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.

(2) Information not available.

(3) GG-09-26157-00: \$37,308; Z-09-22864-00: \$9,000; Z-08-02337-00: \$300.

(4) Z-08-211887-00: \$4,859; Z-08-213473-00: \$169,385; Z-08-020790-00: \$28,590; Z-08-216870-00: \$6,072.

(5) GG-08-26003-00: \$15,000; 34101-0000000895: \$8,509.

(6) Z-07-037662-00: \$18,390; Z-08-200682-00: \$566,900; Z-09-213408-00: \$11,242.

(7) Z-08-020354-00: \$4,280; Z-09-213735-01: \$52,643.

(8) Z-05-024481: \$13,172; Z-05-212946: \$10,963.

(9) Total for CFDA No. 10.555 is \$763,770.

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Henry County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2009

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Henry County, Tennessee, for the year ended June 30, 2008, which have not been corrected.

OFFICE OF COUNTY MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
08.01	188	Material audit adjustments were required for proper financial statement presentation

OFFICE OF COUNTY ROAD SUPERVISOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
08.02	188	Purchase orders were issued after purchases were made
08.03	189	Payroll time cards were not signed by supervisors

OTHER FINDINGS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
08.04	189	Duties were not segregated adequately in the Offices of County Clerk, Circuit and General Sessions Courts Clerk, Register, and Sheriff
08.05	190	A central system of accounting, budgeting, and purchasing had not been adopted

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HENRY COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2009

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Henry County is unqualified.
2. The audit of the financial statements of Henry County disclosed significant deficiencies in internal control. 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 Henry County.
4. The audit disclosed one significant deficiency in internal control over major programs. This deficiency was considered to be a material weakness.
5. A qualified opinion was issued on compliance for major programs.
6. The audit of Henry County revealed one audit finding that is required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, and the Child and Adult Care Program (CFDA Nos. 10.553, 10.555, and 10.558) and Rural Economic Development Loans and Grants (CFDA No. 10.854) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Henry County did qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The written responses of the county mayor have been paraphrased in this report.

OFFICE OF COUNTY MAYOR

FINDING 09.01 **THE GENERAL FUND REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION**

(Internal Control – Material Weakness Under Government Auditing Standards)

At June 30, 2009, 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 Henry 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. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY MAYOR

We concur. In the future, to prevent audit adjustments from being material, year-end accounts receivable will be set up on all major revenue accounts to reflect a 12-month average and, after further review, approximately nine accounts will be set up with an additional month's receivable to other deferred revenue.

FINDING 09.02

THE OFFICE HAD DEFICIENCIES WITH REQUIREMENTS OF A RURAL ECONOMIC DEVELOPMENT LOAN

(Internal Control – Material Weakness Under Government Auditing Standards and OMB Circular A-133; and Material Noncompliance Under OMB Circular A-133)

During the year, Henry County received an interest free loan of \$960,000 from the Paris Board of Public Utilities (BPU). These funds consisted of a \$300,000 grant and a \$600,000 loan from the United States Department of Agriculture Rural Economic Development Loans and Grants program plus local matching contributions of \$60,000. The grant/loan funds were passed through the BPU to the county to be used to promote rural economic development. Henry County used the proceeds to construct an industrial building at the Henry County Airport. The county entered into a contract with Skykits Corporation for the construction of this building. Skykits acted as construction manager and was allowed to make all purchases and enter into all necessary subcontracts to construct the facility. The county retained ownership of the building, which is currently leased and used by Skykits Corporation. Henry County did not directly pay the construction costs, instead the county disbursed the \$960,000 to the Paris Henry County Industrial Development Committee (IDC), a joint venture between the county and the City of Paris, which was established for economic development. The IDC then paid the various vendors and subcontractors retained by Skykits.

The Rural Economic Development Loans and Grants program was audited as a major program to determine compliance with the various requirements for federal programs outlined in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement. As of February 4, 2010, the project was not completed and funds remained on deposit with the IDC. We extended our testing to examine all disbursements by the IDC through February 4, 2010. Our testing revealed the following deficiencies:

- A. Henry County did not monitor expenditures of the Rural Economic Development Loans and Grants program to ensure that all disbursements were adequately documented and were for allowable activities and costs. In addition, adequate documentation was not on file to support all disbursements. It also appears that some disbursements were not for allowable activities of the project. These items are as follows:
- (1) Some invoices on file were summary statements and did not include supporting documentation. Therefore, we could not determine from the summary statements what goods or services had been purchased. The summary statements paid without supporting documentation totaled \$20,427.
 - (2) An invoice for \$45,000 from a contractor was paid twice.
 - (3) A payment of \$1,500 was made to a local bank. It was noted on the check that this was for “issuance of line of credit,” however, there was no supporting documentation provided for this disbursement.

- (4) The owner of Skykits submitted invoices totaling \$25,000 for “building construction management fees.” Henry County’s contract with Skykits did not provide for a construction management fee.
- (5) The IDC obtained a \$60,000 loan from the Northwest Tennessee Certified Development Corporation (NWT CDC) for the construction of a paint booth. Actual cost of paint booth construction through February 4, 2010, was \$64,230, which exceeded the \$60,000 loan amount by \$4,230. This additional cost exceeding the NWT CDC loan was financed by rural economic development grant funds. In addition, a check for \$2,544 from the rural economic grant funds was written to NWT CDC without any supporting documentation. We were advised by one of the members of the IDC that this payment was for the first three months requirements of the paint booth loan between the IDC and NWT CDC. These payments related to the paint booth do not appear to be an allowable activity of the project, which was for the construction of the industrial building.

Parts 3(A) and (B) of the OMB Circular A-133 Compliance Supplement require that all expenditures of grant funds be made for allowable activities and costs of the program. As a result of the lack of supporting documentation for disbursements of \$91,927, we could not determine what goods and services had been received and if these disbursements were for allowable activities and costs of the project. In addition, the expenditures of \$6,774 from grant funds for the paint booth construction do not appear to have been allowed for the project. The total disbursements of \$98,701 (\$20,427, \$45,000, \$1,500, \$25,000, \$4,230, \$2,544) noted above are questioned costs under the provisions of OMB Circular A-133 Compliance Supplement.

- B. Henry County did not require the county purchasing regulations to be followed for disbursements of the Rural Economic Development Loans and Grants program. Part 3(I) of the OMB Circular A-133 Compliance Supplement requires local governments to follow applicable state and local laws and regulations for procurements made with grant funds. County purchasing laws and procedures were not complied with as follows:
- (1) Henry County did not solicit competitive bids for this project or require Skykits to provide any documentation that competitive bids were solicited. Purchasing procedures for the Henry County general government are governed by provisions of the County Purchasing Law of 1983, Section 5-14-201, Tennessee Code Annotated, which provides for all purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids. Officials advised they were not aware that bids should be solicited for this project. The failure to solicit competitive bids could result in paying more than the most competitive price.
 - (2) Purchase orders were not issued for these disbursements and we could not determine that purchases were compared to a budget. Purchase orders are necessary to control who has purchasing authority, to document purchasing commitments, and to determine availability of funds. Article V of the

construction agreement with Skykits Corporation also required all disbursement requests to be submitted in writing and compared to a budget. The absence of a purchase order system increases the risks of unauthorized purchases.

- C. Disbursements were made on contracts over \$25,000 with several vendors on the project. Part 3(I) of the OMB Circular A-133 Compliance Supplement requires grant recipients to verify that vendors receiving \$25,000 or more have not been suspended or debarred by the federal government. Specific requirements of the Rural Economic Development Loans and Grants program required this to be done with certifications from the vendors. Documentation was not maintained that the county or Skykits had obtained these certifications or otherwise verified the contracting parties were not suspended or debarred.
- D. Henry County did not maintain records of equipment and furnishings purchased with grant proceeds for use in the industrial building. Part 3(F) of the OMB Circular A-133 Compliance Supplement requires that records and inventories of equipment purchased with grant funds should be maintained and an appropriate control system should be used to safeguard equipment and ensure it is used in the program for which it was acquired. An examination of invoices revealed several items had been purchased for the project including an air compressor, kitchen appliances, dining sets, desks, chairs, and decorative items. There were no inventory records maintained for these items and no indication they were identified as county property. The failure to maintain records could potentially result in the loss or misuse of these assets.
- E. Part 3(L) of the OMB Circular A-133 Compliance Supplement requires grantees to comply with the reporting provisions of grant contracts. Henry County was required by the Rural Economic Development Loans and Grants program to file with the BPU an itemized list of project expenditures with attached invoices and a certification that the proceeds were spent on approved purposes. This report was due by project completion or not later than August 7, 2009, the first anniversary of the date of the advance of funds. If all funds were not expended by August 7, 2009, then the county was also required to provide a statement to BPU of the intended expenditure schedule. The county had not prepared and filed these reports with the BPU.

RECOMMENDATION

Records should be maintained to document compliance with all grant requirements. Henry County should require all organizations administering grants on their behalf to file all documentation with the Office of County Mayor to ensure compliance with applicable laws and regulations. Supporting documentation of all disbursements should be maintained, and disbursements should only be for allowed activities. Officials should take steps to resolve the questioned costs. Purchases estimated to exceed \$10,000 should be competitively bid as required by state statute. Purchase orders should be issued for all applicable purchases to strengthen internal controls over the purchasing process and to document purchasing commitments. Certifications should be obtained from vendors to determine that they are not suspended or debarred. Inventory records should be adequately maintained. All required reports should be filed on a timely basis.

MANAGEMENT’S RESPONSE – COUNTY MAYOR

Please refer to the corrective action plan under “Auditee Reporting Responsibilities” in the Single Audit Section of this report.

FINDING 09.03 THE CONTRACTOR FOR THE AIRPORT INDUSTRIAL BUILDING PROJECT WAS ALLOWED TO USE THE COUNTY’S TAX-EXEMPT STATUS
(Noncompliance Under Government Auditing Standards)

The contractor for the airport industrial building, described in Finding 09.02, was allowed to use the county’s tax-exempt status to purchase supplies and materials for the building project. Section 67-6-209(b), Tennessee Code Annotated, requires contractors and subcontractors to pay sales tax on all tangible personal property that has been furnished to them.

RECOMMENDATION

Contractors should pay sales tax on all supplies and materials used in the construction of the industrial building project and should discontinue using the county’s tax-exempt status to make such purchases. Henry County should report this deficiency to the state Department of Revenue and resolve this issue.

MANAGEMENT’S RESPONSE – COUNTY MAYOR

Henry County concurs, and the contractor will be advised of same.

FINDING 09.04 EXPENDITURES EXCEEDED APPROPRIATIONS IN THE GENERAL FUND
(Noncompliance Under Government Auditing Standards)

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

<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
Preservation of Records	\$ 154
Airport	10,025

Section 5-9-401, Tennessee Code Annotated, states, “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be

appropriated to such use by the county legislative bodies.” This deficiency exists because management failed to hold spending to the limits authorized by the County Commission, which resulted in unauthorized expenditures.

RECOMMENDATION

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

MANAGEMENT’S RESPONSE – COUNTY MAYOR

After review, it has been determined the overexpenditure in the airport was due to paying a match to the state for two grants that were not budgeted. In the future, if a grant requires a match to be paid to the state, it will be included in the expenditure account budget.

OFFICE OF COUNTY ROAD SUPERVISOR

FINDING 09.05 PURCHASE ORDERS WERE ISSUED AFTER PURCHASES WERE MADE
(Internal Control – Significant Deficiency Under Government Auditing Standards)

In several instances, the office issued purchase orders after purchases were made. Sound business practice dictates that purchase orders should be issued before purchases are made. This deficiency exists because management failed to correct the finding noted in the prior-year audit report. This practice defeats the purpose of issuing a purchase order and makes the purchase order an approval for payment, rather than an approval for the purchase.

RECOMMENDATION

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

FINDING 09.06 PAYROLL TIME CARDS WERE NOT SIGNED BY SUPERVISORS
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Supervisors did not sign the employees’ time cards as evidence of review and approval. Sound business practices dictate that payroll time cards should be properly reviewed and approved. This deficiency is due to a lack of management oversight and the failure of management to correct the finding noted in the prior-year audit report. If supervisors do not review and approve time cards, improper payments could result.

RECOMMENDATION

Supervisors should sign employees' time cards as evidence of review and approval.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 09.07 **THE SCHOOL FEDERAL PROJECTS FUND HAD A DEFICIT IN UNRESERVED FUND BALANCE**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The School Federal Projects Fund had a deficit in the unreserved fund balance of \$78,076 at June 30, 2009. This deficit resulted from \$87,624 being reserved as an encumbrance for the purchase of a school bus. This deficit was liquidated when grant funds were requested and received subsequent to June 30, 2009.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 09.08 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, REGISTER, AND SHERIFF**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees in the Offices of County Clerk, Circuit and General Sessions Court Clerk, Register, and Sheriff. Employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. Accounting standards provide that internal controls be designed to provide reasonable assurance of the reliability of 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. Also, the deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

FINDING 09.09

A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED

(Internal Control – Control Deficiency Under Government Auditing Standards)

County officials had not adopted a central system of accounting, budgeting, and purchasing. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY MAYOR

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

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

Federal Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Agriculture: Passed-through Paris Board of Public Utilities: Rural Economic Development Loans and Grants	09.10	10.854	Circular A-133, Section 300 (b), (c) Part 3 (A),(B),(F),(I) and (L)	Material weakness in internal control and material noncompliance, see Finding No. 09.02: The County Mayor's Office did not comply with grant requirements	\$ 98,701

HENRY COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2009

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

County Mayor – Corrective Action Plan for Current-Year's Findings

Findings 09.02 and 09.10

Contact Person: Brent Greer, County Mayor

Corrective action planned: (A) Henry County entered into a construction agreement with Skykits Corporation and the Paris-Henry County Industrial Committee (PHCIC) based on the loan/grant agreement that all funds must be expended on a facility to be constructed to Skykits specifications, solely for the long-term lease benefit of the project. The City of Paris and Henry County had previously entered into similar arrangements through the Paris Industrial Development Committee. This previous agreement, however, was not covered by OMB Circular A-133. Henry County was initially unaware of the requirement to comply with OMB Circular A-133. Corrective action has been undertaken to provide and obtain all disbursement documentation from PHCIC to support all disbursements and to ensure that all disbursements were allowable activities. The contractor who received the \$45,000 payment twice was not paid more than the contracted amount. We will obtain documents to support all payments. Documentation will be obtained from the local bank to support the expenditure for the line of credit. Documentation on the building management fees will be obtained. All expended funds from the management fee were applied to the overall project. The expenditures for the paint booth were separate from the loan/grant and should have been a segregated transaction that was handled by PHCIC. Documentation will support the fact that this part of the project was separate from the original loan/grant agreement. All supporting documentation will be obtained to determine that all costs were allowable under the loan/grant agreement.

**HENRY COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES (CONT.)**

County Mayor – Corrective Action Plan for Current Year’s Findings (Cont.)

- (B) Because of the construction agreement, Henry County was not aware of the necessity to request bids. In the future, Henry County will follow all bid processes as required by OMB Circular A-133, as well as Section 5-14-201, Tennessee Code Annotated.
- (C) Suspension and debarment procedures will be followed in the future. The county was not aware of the requirement at the time of construction.
- (D) All equipment and furnishings will be properly documented and inventoried.
- (E) All reporting requirements will be adhered to.

Anticipated completion date: 2009-10 fiscal year