

---

---

# **ANNUAL FINANCIAL REPORT HENDERSON COUNTY, TENNESSEE**



**FOR THE YEAR ENDED JUNE 30, 2010**



**ANNUAL FINANCIAL REPORT  
HENDERSON COUNTY, TENNESSEE  
FOR THE YEAR ENDED JUNE 30, 2010**

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

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

*JAMES R. ARNETTE  
Director*

*NORMAN R. NORMENT, CGFM  
Audit Manager*

*HORACE B. WISEMAN, CGFM  
Auditor 4*

*LEE ANN WEST, CPA, CGFM  
AMANDA MARCH  
JUSTIN NEAL  
ELISHA CROWELL, CFE  
WENDY HEATH, CFE  
State Auditors*

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

---



---

## HENDERSON COUNTY, TENNESSEE TABLE OF CONTENTS

---



---

	Exhibit	Page(s)
Audit Highlights		6-7
<u>INTRODUCTORY SECTION</u>		8
Henderson County Officials		9
<u>FINANCIAL SECTION</u>		10
Independent Auditor's Report		11-13
BASIC FINANCIAL STATEMENTS:		14
Government-wide Financial Statements:		
Statement of Net Assets	A	15
Statement of Activities	B	16-17
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	18-19
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	20
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	21-22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	23
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	D	24
Notes to the Financial Statements		25-60
REQUIRED SUPPLEMENTARY INFORMATION:		61
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	E-1	62-65
Highway/Public Works Fund	E-2	66
Schedule of Funding Progress – Pension Plan – Primary Government and Discretely Presented Henderson County School Department	E-3	67
Schedule of Funding Progress – Other Postemployment Benefits Plans – Primary Government and Discretely Presented Henderson County School Department	E-4	68
Notes to the Required Supplementary Information		69

	Exhibit	Page(s)
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		70
Nonmajor Governmental Funds:		71
Combining Balance Sheet	F-1	72
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	73-74
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
Solid Waste/Sanitation Fund	F-3	75
Drug Control Fund	F-4	76
Rural Debt Service Fund	F-5	77
Major Governmental Fund:		78
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	G	79
Fiduciary Funds:		80
Combining Statement of Fiduciary Assets and Liabilities	H-1	81
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	H-2	82
Component Unit:		
Discretely Presented Henderson County School Department:		83
Statement of Activities	I-1	84
Balance Sheet – Governmental Funds	I-2	85
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	I-3	86
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	I-4	87
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	I-5	88
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	I-6	89-91
School Federal Projects Fund	I-7	92
Central Cafeteria Fund	I-8	93
School Transportation Fund	I-9	94
Miscellaneous Schedules:		95
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds – Primary Government and Discretely Presented Henderson County School Department	J-1	96-97
Schedule of Long-term Debt Requirements by Year	J-2	98
Schedule of Transfers – Discretely Presented Henderson County School Department	J-3	99
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Henderson County School Department	J-4	100

	Exhibit	Page(s)
Schedule of Detailed Revenues – All Governmental Fund Types	J-5	101-104
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Henderson County School Department	J-6	105-106
Schedule of Detailed Expenditures – All Governmental Fund Types	J-7	107-125
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Henderson County School Department	J-8	126-138
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balances – City Agency Funds	J-9	139
 <u>SINGLE AUDIT SECTION</u>		 140
Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>		141-143
Auditor’s Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>		144-146
Schedule of Expenditures of Federal Awards and State Grants		147-148
Schedule of Audit Findings Not Corrected		149-150
Schedule of Findings and Questioned Costs		151-159
Auditee Reporting Responsibilities		160

***Audit Highlights***  
Annual Financial Report  
Henderson County, Tennessee  
For the Year Ended June 30, 2010

***Scope***

We have audited the basic financial statements of Henderson County as of and for the year ended June 30, 2010.

***Results***

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

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

***Findings***

The following are summaries of the audit findings:

**OFFICE OF FINANCE DIRECTOR**

- ◆ Henderson County does not have the resources to produce financial statements and notes to the financial statements.
- ◆ Material audit adjustments were required for proper financial statement presentation in the General Capital Projects and School Federal Projects funds.
- ◆ Designated situs-based taxes were inadequate to fund rural fire protection.
- ◆ An employee of the Finance Department remains delinquent (\$1,006.89) in reimbursing the county for an overpayment she received in 2001-02 while employed by the Office of County Mayor.
- ◆ Appropriations exceeded estimated available funding in the School Federal Projects Fund by \$113,992.
- ◆ Deficiencies were noted with the purchase of gift cards given to employees with perfect attendance.

---

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

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

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

- ◆ The courts' execution docket trial balances did not reconcile with cash journal accounts by substantial amounts.
  - ◆ The courts' software did not have adequate application controls.
- 

## **OTHER FINDINGS**

- ◆ Henderson County has a material recurring audit finding.
- ◆ Duties were not segregated adequately among the officials and employees in the Offices of County Clerk, Juvenile Court Clerk, and Sheriff.

---

---

# INTRODUCTORY SECTION

---

---

# Henderson County Officials

## June 30, 2010

---

### **Officials**

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

### **Board of County Commissioners**

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

### **Board of Education**

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

### **Financial Management Committee**

Timothy Rogers, Chairman  
Celia Barrow  
Janice Gourley  
Mack Maness  
Harold Hensley, Road Supervisor  
Dennis Ray McDaniel, County Mayor  
Steve Wilkinson, Director of Schools

---

---

## **FINANCIAL SECTION**

---

---



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

**INDEPENDENT AUDITOR'S REPORT**

October 14, 2010

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henderson County, Tennessee, as of and for the year ended June 30, 2010, which collectively comprise Henderson County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Henderson County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented Henderson County Emergency Communications District, which represent two percent and one percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Henderson County Emergency Communications District, is based on the report of other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henderson County, Tennessee, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 14, 2010, on our consideration of Henderson County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

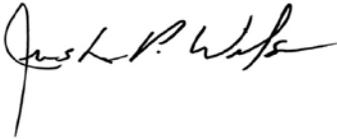
As described in Note V.B., Henderson County has adopted the provisions of Governmental Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which became effective for the year ended June 30, 2010.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison, pension, and other postemployment benefits information on pages 62 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Henderson County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Henderson County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Henderson County School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

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/sb

---

---

# BASIC FINANCIAL STATEMENTS

---

---

Exhibit A

Henderson County, Tennessee  
Statement of Net Assets  
June 30, 2010

	Primary Government Governmental Activities	Component Units	
		Henderson County School Department	Emergency Communications District
<b>ASSETS</b>			
Cash	\$ 979,478	\$ 0	\$ 373,424
Equity in Pooled Cash and Investments	8,453,409	4,575,061	0
Accounts Receivable	78,266	3,062	32,533
Due from Other Governments	572,496	1,025,565	0
Property Taxes Receivable	5,668,925	2,400,187	0
Allowance for Uncollectible Property Taxes	(115,117)	(60,834)	0
Deferred Charges - Debt Issuance Costs	516,702	0	0
Capital Assets:			
Assets Not Depreciated:			
Land	2,133,209	904,161	0
Construction in Progress	13,478,366	0	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	749,173	15,872,907	9,074
Infrastructure	1,571,944	0	0
Other Capital Assets	823,887	380,097	91,550
Total Assets	<u>\$ 34,910,738</u>	<u>\$ 25,100,206</u>	<u>\$ 506,581</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 0	\$ 167,166	\$ 16,168
Payroll Deductions Payable	462	0	0
Contracts Payable	258,196	0	0
Retainage Payable	11,852	0	0
Accrued Interest Payable	335,201	0	0
Deferred Revenue - Current Property Taxes	5,358,750	2,226,448	0
Noncurrent Liabilities:			
Due Within One Year	2,118,598	0	0
Due in More Than One Year (net of deferred amount on refunding, deferred discount on debt, and unamortized premium on debt)	31,353,871	411,920	0
Total Liabilities	<u>\$ 39,436,930</u>	<u>\$ 2,805,534</u>	<u>\$ 16,168</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	\$ 4,831,907	\$ 0	\$ 0
Invested in Capital Assets	0	17,157,165	100,624
Restricted for:			
Solid Waste/Sanitation	163,297	0	0
Drug Control	112,756	0	0
Constitutional Officers - Fees	1,007,627	0	0
Highway/Public Works	960,494	0	0
Debt Service	5,121,308	0	0
Capital Projects	811,784	0	0
Litigation Tax - Jail, Workhouse, Courthouse	180,772	0	0
Alcohol and Drug Treatment	103,034	0	0
School Federal Projects	0	148,378	0
School Transportation	0	137,990	0
Central Cafeteria	0	545,814	0
Other Purposes	113,297	95,309	0
Unrestricted	(17,932,468)	4,210,016	389,789
Total Net Assets (Deficit)	<u>\$ (4,526,192)</u>	<u>\$ 22,294,672</u>	<u>\$ 490,413</u>

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

Exhibit B

Henderson County, Tennessee  
Statement of Activities  
For the Year Ended June 30, 2010

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets					
	Program Revenues			Primary Government	Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Total Governmental Activities	Henderson County School Department	Emergency Communications District
Primary Government:						
Governmental Activities:						
General Government	\$ 674,664	\$ 102,800	\$ 40,380	\$ (531,484)	\$ 0	\$ 0
Finance	987,726	642,223	8,542	(336,961)	0	0
Administration of Justice	833,166	977,674	9,500	154,008	0	0
Public Safety	2,817,962	492,637	134,304	(2,191,021)	0	0
Public Health and Welfare	656,509	34,040	164,209	(458,260)	0	0
Social, Cultural, and Recreational Services	73,935	0	0	(73,935)	0	0
Agriculture and Natural Resources	83,106	0	0	(83,106)	0	0
Other Operations	241,407	0	0	(241,407)	0	0
Highways	2,084,907	15,943	1,748,280	(320,684)	0	0
Interest on Long-term Debt	1,375,110	0	297,606	(1,077,504)	0	0
Other Debt Service	87,897	0	0	(87,897)	0	0
Total Primary Government	\$ 9,916,389	\$ 2,265,317	\$ 2,402,821	\$ (5,248,251)	\$ 0	\$ 0
Component Units:						
Henderson County School Department	\$ 28,767,425	\$ 1,398,442	\$ 3,764,795	\$ 0	\$ (23,604,188)	\$ 0
Emergency Communications District	333,814	298,386	99,388	0	0	63,960
Total Component Units	\$ 29,101,239	\$ 1,696,828	\$ 3,864,183	\$ 0	\$ (23,604,188)	\$ 63,960

(Continued)

Exhibit B

Henderson County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets				
	Program Revenues		Primary Government	Component Units	
	Charges for Services	Operating Grants and Contributions	Total Governmental Activities	Henderson County School Department	Emergency Communications District
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes			\$ 3,135,000	\$ 2,805,757	\$ 0
Property Taxes Levied for Debt Service			1,710,291	0	0
Local Option Sales Taxes			641,034	2,353,393	0
Wheel Taxes			863,181	0	0
Litigation Taxes			236,037	0	0
Business Taxes			218,441	0	0
Hotel/Motel Taxes			90,026	0	0
Other Local Taxes			69,680	342,597	0
Grants and Contributions Not Restricted to Specific Programs			228,962	19,158,636	0
Unrestricted Investment Earnings			265,867	0	8,020
Miscellaneous			50,602	58,367	0
Total General Revenues			\$ 7,509,121	\$ 24,718,750	\$ 8,020
Change in Net Assets			\$ 2,260,870	\$ 1,114,562	\$ 71,980
Net Assets (Deficit), July 1, 2009			(6,787,062)	21,180,110	418,433
Net Assets (Deficit), June 30, 2010			\$ (4,526,192)	\$ 22,294,672	\$ 490,413

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

Henderson County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2010

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other Governmental Funds	Governmental Funds	
\$	0	0	0	0	0	979,478	\$ 979,478
Cash	1,441,907	639,018	4,178,470	1,081,832	1,112,182	8,453,409	8,453,409
Equity in Pooled Cash and Investments	46,722	2,255	778	0	28,511	78,266	78,266
Accounts Receivable	151,753	321,007	0	0	99,736	572,496	572,496
Due from Other Governments	263	0	0	0	0	263	263
Due to Other Funds	3,481,208	176,429	1,693,716	0	317,572	5,668,925	5,668,925
Property Taxes Receivable	(67,205)	(3,863)	(37,094)	0	(6,955)	(115,117)	(115,117)
Allowance for Uncollectible Property Taxes							
Total Assets	\$ 5,054,648	\$ 1,134,846	\$ 5,835,870	\$ 1,081,832	\$ 2,530,524	\$ 15,637,720	\$ 15,637,720

ASSETS

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

LIABILITIES AND FUND BALANCES

\$	436	26	0	0	0	0	462
Payroll Deductions Payable	0	0	0	258,196	0	258,196	258,196
Contracts Payable	0	0	0	11,852	0	11,852	11,852
Retainage Payable	0	0	0	0	263	263	263
Due to Other Funds	3,307,870	165,394	1,587,778	0	297,708	5,358,750	5,358,750
Deferred Revenue - Current Property Taxes	94,959	6,417	61,559	0	11,549	174,484	174,484
Deferred Revenue - Delinquent Property Taxes	56,337	153,726	0	0	53,680	263,743	263,743
Other Deferred Revenues	\$ 3,459,602	\$ 325,563	\$ 1,649,337	\$ 270,048	\$ 363,200	\$ 6,067,750	\$ 6,067,750
Total Liabilities							

Fund Balances

Reserved for Encumbrances  
Reserved for Alcohol and Drug Treatment  
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse  
Reserved for Drug Court  
Reserved for Sexual Offender Registration

\$	39,834	0	0	700,735	639	741,208
Reserved for Encumbrances	103,034	0	0	0	0	103,034
Reserved for Alcohol and Drug Treatment	180,772	0	0	0	0	180,772
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	30,859	0	0	0	0	30,859
Reserved for Drug Court	13,768	0	0	0	0	13,768
Reserved for Sexual Offender Registration						

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other Governmental Funds	Total Governmental Funds	
\$ 19,778	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 19,778	
28,103	0	0	0	0	0	28,103	
20,789	0	0	0	0	0	20,789	
1,158,109	0	0	0	0	0	1,158,109	
0	809,283	0	0	0	1,269,287	2,078,570	
0	0	4,186,533	0	0	897,398	5,083,931	
0	0	0	111,049	0	0	111,049	
<u>\$ 1,595,046</u>	<u>\$ 809,283</u>	<u>\$ 4,186,533</u>	<u>\$ 811,784</u>	<u>\$ 2,167,324</u>	<u>\$ 9,569,970</u>		
\$ 5,054,648	\$ 1,134,846	\$ 5,835,870	\$ 1,081,832	\$ 2,530,524	\$ 15,637,720		

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)
Reserved for Courtroom Security
Reserved for Computer System - Register
Reserved for Automation Purposes - Sheriff
Unreserved, Reported In:
General Fund
Special Revenue Funds
Debt Service Funds
Capital Projects Funds
Total Fund Balances

Total Liabilities and Fund Balances

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

Exhibit C-2

Henderson County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets  
June 30, 2010

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)		\$	9,569,970
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	2,133,209	
Add: construction in progress		13,478,366	
Add: buildings and improvements net of accumulated depreciation		749,173	
Add: infrastructure net of accumulated depreciation		1,571,944	
Add: other capital assets net of accumulated depreciation		<u>823,887</u>	18,756,579
(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	\$	(1,175,000)	
Less: capital lease payable		(42,478)	
Less: bonds payable		(32,235,000)	
Add: deferred amount on refunding		257,615	
Add: deferred charges - debt issuance costs		516,702	
Add: deferred charges - discount on debt issued		9,896	
Less: compensated absences payable		(80,003)	
Less: landfill closure/postclosure care costs		(107,826)	
Less: other postemployment benefits liability		(60,514)	
Less: accrued interest on notes and bonds		(335,201)	
Less: other deferred revenue - premium on debt		<u>(39,159)</u>	(33,290,968)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>438,227</u>
Net assets (deficit) of governmental activities (Exhibit A)		\$	<u>(4,526,192)</u>

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

Exhibit C-3

Henderson County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2010

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Highway /	General	Capital Projects	Other	Governmental Funds	Total Governmental Funds	
		Public Works	Debt Service					
<u>Revenues</u>								
Local Taxes	\$ 3,385,166	\$ 181,449	\$ 2,605,350	\$ 0	\$ 879,801	\$ 7,051,766		
Licenses and Permits	855	0	0	0	0	855		
Fines, Forfeitures, and Penalties	221,886	0	0	0	74,498	296,384		
Charges for Current Services	46,732	0	0	0	1,074,015	1,120,747		
Other Local Revenues	191,809	21,400	68,834	39,410	48,087	369,540		
Fees Received from County Officials	351,906	0	0	0	0	351,906		
State of Tennessee	470,991	1,749,393	0	0	4,020	2,224,404		
Federal Government	97,293	0	0	0	0	97,293		
Other Governments and Citizens Groups	354,018	0	293,555	0	0	647,573		
Total Revenues	\$ 5,120,656	\$ 1,952,242	\$ 2,967,739	\$ 39,410	\$ 2,080,421	\$ 12,160,468		
<u>Expenditures</u>								
Current:								
General Government	\$ 602,045	\$ 0	\$ 0	\$ 0	\$ 0	\$ 602,045		
Finance	560,664	0	0	0	413,301	973,965		
Administration of Justice	291,029	0	0	0	552,497	843,526		
Public Safety	2,497,884	0	0	0	78,434	2,576,318		
Public Health and Welfare	197,370	0	0	0	392,222	589,592		
Social, Cultural, and Recreational Services	73,935	0	0	0	0	73,935		
Agriculture and Natural Resources	82,118	0	0	0	0	82,118		
Other Operations	446,455	0	0	0	0	446,455		
Highways	0	1,900,298	0	0	0	1,900,298		
Debt Service:								
Principal on Debt	59,850	14,921	1,290,150	0	570,000	1,934,921		
Interest on Debt	9,932	2,133	1,274,202	0	159,583	1,445,850		
Other Debt Service	0	0	46,084	0	73,666	119,750		
Capital Projects	0	0	0	9,073,936	0	9,073,936		
Total Expenditures	\$ 4,821,282	\$ 1,917,352	\$ 2,610,436	\$ 9,073,936	\$ 2,239,703	\$ 20,662,709		

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other	Governmental Funds	
Excess (Deficiency) of Revenues Over Expenditures	\$ 299,374	\$ 34,890	\$ 357,303	\$ (9,034,526)	\$ (159,282)	\$ (8,502,241)	
Other Financing Sources (Uses)							
Bonds Issued	\$ 0	\$ 0	\$ 0	\$ 5,400,000	\$ 0	\$ 5,400,000	
Refunding Debt Issued	0	0	0	0	2,815,000	2,815,000	
Premiums on Debt Issued	0	0	0	0	43,210	43,210	
Insurance Recovery	29,983	2,349	0	0	5,101	37,433	
Payments to Refunded Debt Escrow Agent	0	0	0	0	(2,802,446)	(2,802,446)	
Total Other Financing Sources (Uses)	\$ 29,983	\$ 2,349	\$ 0	\$ 5,400,000	\$ 60,865	\$ 5,493,197	
Net Change in Fund Balances	\$ 329,357	\$ 37,239	\$ 357,303	\$ (3,634,526)	\$ (98,417)	\$ (3,009,044)	
Fund Balance, July 1, 2009	1,265,689	772,044	3,829,230	4,446,310	2,265,741	12,579,014	
Fund Balance, June 30, 2010	\$ 1,595,046	\$ 809,283	\$ 4,186,533	\$ 811,784	\$ 2,167,324	\$ 9,569,970	

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

Exhibit C-4

Henderson County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2010

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)		\$ (3,009,044)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 9,064,805	
Less: current year depreciation expense	<u>(488,675)</u>	8,576,130
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Less: loss on disposal of capital assets		(389)
(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, 2010	\$ 438,227	
Less: deferred delinquent property taxes and other deferred June 30, 2009	<u>(425,487)</u>	12,740
(4) The issuance of long-term debt (e.g., bonds, notes, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items.		
Less: bond proceeds	\$ (5,400,000)	
Less: refunding bond proceeds	(2,815,000)	
Less: change in premium on debt issuances	(39,159)	
Less: change in discount on debt issued	(529)	
Add: change in deferred debt issuance costs	163,826	
Add: principal payments on bonds	1,640,000	
Add: principal payments on notes	280,000	
Add: principal payments on capital lease	14,921	
Add: payment to refunding agent	2,802,446	
Less: change in deferred amount on refunding debt	<u>(42,758)</u>	(3,396,253)
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ 113,498	
Change in landfill closure/postclosure care costs	5,576	
Change in compensated absences payable	57	
Change in other postemployment benefits liability	<u>(41,445)</u>	<u>77,686</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 2,260,870</u>

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

Exhibit D

Henderson County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2010

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,735,888
Equity in Pooled Cash and Investments	87,940
Accounts Receivable	3,369
Due from Other Governments	624,704
Taxes Receivable	403,522
Allowance for Uncollectible Taxes	<u>(11,035)</u>
Total Assets	<u>\$ 2,844,388</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 1,105,288
Due to Litigants, Heirs, and Others	<u>1,739,100</u>
Total Liabilities	<u>\$ 2,844,388</u>

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

**HENDERSON COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2010**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

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

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

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

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

The Henderson County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Complete financial statements of the Henderson County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

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

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

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

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the

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

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

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

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

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

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

Henderson County reports the following major governmental funds:

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

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

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

**General Capital Projects Fund** – This fund accounts for transactions involving the construction of a new criminal justice complex.

Additionally, Henderson County reports the following fund type:

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

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

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

**School Federal Projects Fund** – This fund accounts for restricted federal revenues, which must be expended on specific education programs.

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

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

prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

## **2. Receivables and Payables**

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

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

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

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

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

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

Retainage payable in the primary government's General Capital Projects 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 Capital Projects 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 \$10,000 or more (except for double-surface treatment roads \$12,000/mile, asphalt roads \$40,000/mile, and bridges \$30,000) and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

**4. Compensated Absences**

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

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

## **5. Long-term Obligations**

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

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

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

## **6. Net Assets and Fund Equity**

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

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

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

As of June 30, 2010, Henderson County had \$18,385,500 in outstanding debt for capital purposes of the discretely presented Henderson County School Department. In accordance with state statutes, certain county school debt proceeds must be shared with other public school systems in the county (City of Lexington School System) based on an average daily attendance proration. This debt is a liability of Henderson County, but the capital assets acquired are reported in the financial statements of the Henderson County School Department and the City of Lexington School System. Therefore, Henderson County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county’s capital assets.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The following table reflects designations on June 30, 2010:

<u>Fund/Purpose</u>	<u>Amount</u>
General:	
Tourism	\$ 71,067
Industrial Purposes	107,713

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

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

**Primary Government**

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

**Discretely Presented Henderson County School Department**

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

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

**Primary Government**

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

**Discretely Presented Henderson County School Department**

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

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

**A. Budgetary Information**

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

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

The budgetary level of control is at the major category level established by the 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, County Mayor, County Attorney, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

**B. Appropriations Exceeded Estimated Available Funds**

The budget and subsequent amendments submitted to and approved by the County Commission for the School Federal Projects Fund resulted in appropriations exceeding estimated available funding by \$113,992.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

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

**Deposits**

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

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

**Investments**

**Legal Provisions.** Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; 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 Comptroller's Office 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 fair value of the securities on the day of purchase. The county had no pooled and nonpooled investments as of June 30, 2010.

**B. Capital Assets**

Capital assets activity for the year ended June 30, 2010, was as follows:

**Primary Government**

**Governmental Activities:**

	Balance 7-1-09	Increases	Decreases	Balance 6-30-10
Capital Assets				
Not Depreciated:				
Land	\$ 2,133,209	\$ 0	\$ 0	\$ 2,133,209
Construction in Progress	4,536,310	8,942,056	0	13,478,366
Total Capital Assets				
Not Depreciated	<u>\$ 6,669,519</u>	<u>\$ 8,942,056</u>	<u>\$ 0</u>	<u>\$ 15,611,575</u>
Capital Assets Depreciated:				
Buildings and				
Improvements	\$ 2,635,330	\$ 0	\$ 0	\$ 2,635,330
Infrastructure	2,279,907	6,107	0	2,286,014
Other Capital Assets	4,611,964	116,642	69,900	4,658,706
Total Capital Assets				
Depreciated	<u>\$ 9,527,201</u>	<u>\$ 122,749</u>	<u>\$ 69,900</u>	<u>\$ 9,580,050</u>

**Governmental Activities: (Cont.)**

	Balance 7-1-09	Increases	Decreases	Balance 6-30-10
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,832,055	\$ 54,102	\$ 0	\$ 1,886,157
Infrastructure	576,473	137,597	0	714,070
Other Capital Assets	3,607,354	296,976	69,511	3,834,819
Total Accumulated Depreciation	<u>\$ 6,015,882</u>	<u>\$ 488,675</u>	<u>\$ 69,511</u>	<u>\$ 6,435,046</u>
Total Capital Assets Depreciated, Net	<u>\$ 3,511,319</u>	<u>\$ (365,926)</u>	<u>\$ 389</u>	<u>\$ 3,145,004</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,180,838</u>	<u>\$ 8,576,130</u>	<u>\$ 389</u>	<u>\$ 18,756,579</u>

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

**Governmental Activities:**

General Government	\$ 2,588
Administration of Justice	389
Public Safety	195,223
Public Health and Welfare	63,298
Highways	<u>227,177</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 488,675</u>

**Discretely Presented Henderson County School Department****Governmental Activities:**

	Balance 7-1-09	Increases	Decreases	Balance 6-30-10
Capital Assets Not Depreciated:				
Land	\$ 679,161	\$ 225,000	\$ 0	\$ 904,161
Construction in Progress	68,237	0	68,237	0
Total Capital Assets Not Depreciated	<u>\$ 747,398</u>	<u>\$ 225,000</u>	<u>\$ 68,237</u>	<u>\$ 904,161</u>

**Governmental Activities: (Cont.)**

	Balance 7-1-09	Increases	Decreases	Balance 6-30-10
Capital Assets Depreciated:				
Building and Improvements	\$ 36,436,433	\$ 265,751	\$ 0	\$ 36,702,184
Other Capital Assets	831,907	78,441	227,406	682,942
<b>Total Capital Assets Depreciated</b>	<b>\$ 37,268,340</b>	<b>\$ 344,192</b>	<b>\$ 227,406</b>	<b>\$ 37,385,126</b>
Less Accumulated Depreciation For:				
Building and Improvements	\$ 19,710,734	\$ 1,118,543	\$ 0	\$ 20,829,277
Other Capital Assets	321,901	55,303	74,359	302,845
<b>Total Accumulated Depreciation</b>	<b>\$ 20,032,635</b>	<b>\$ 1,173,846</b>	<b>\$ 74,359</b>	<b>\$ 21,132,122</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 17,235,705</b>	<b>\$ (829,654)</b>	<b>\$ 153,047</b>	<b>\$ 16,253,004</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 17,983,103</b>	<b>\$ (604,654)</b>	<b>\$ 221,284</b>	<b>\$ 17,157,165</b>

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

**Governmental Activities:**

Instruction	\$ 980,448
Support Services	119,078
Operation of Non-Instructional Services	<u>74,320</u>
<b>Total Depreciation Expense - Governmental Activities</b>	<b><u>\$ 1,173,846</u></b>

**C. Construction Commitments**

At June 30, 2010, the General Capital Projects Fund had uncompleted construction contracts of \$700,735 for the construction of a criminal justice complex. Funding has been received for these future expenditures.

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

The composition of interfund balances as of June 30, 2010, is as follows:

**Due to/from Other Funds**

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 263
Discretely Presented School Department:		
School Federal Projects	General Purpose School	1,158

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

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2010, consisted of the following amount:

**Discretely Presented Henderson County School Department**

Transfer Out	Transfer In
	General Purpose School Fund
School Federal Projects Fund	\$ 4,650

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.

**E. Capital Lease**

On November 7, 2007, Henderson County entered into a five-year lease-purchase agreement for highway equipment. The terms of the agreement require total lease payments of \$82,975 plus interest of 4.59 percent. Title to the equipment transfers to Henderson County at the end of the lease period. The lease payments are made from the Highway/Public Works Fund.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2010, were as follows:

Year Ending June 30	Governmental Funds
2011	\$ 18,604
2012	18,604
2013	7,751
Total Minimum Lease Payments	\$ 44,959
Less: Amount Representing Interest	(2,481)
Present Value of Minimum Lease Payments	\$ 42,478

**F. Long-term Debt**

**Primary Government**

**General Obligation Bonds and Notes**

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 21 years for bonds and up to 12 years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and notes included in long-term debt as of June 30, 2010, will be retired from the General Debt Service, Rural Debt Service, and General funds.

General obligation bonds, capital outlay notes, and capital leases outstanding as of June 30, 2010, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-10
General Obligation Bonds	1.75 to 6%	\$ 22,965,000	\$ 19,075,000
General Obligation Bonds - Refunding	2 to 5	15,945,000	13,160,000
Capital Outlay Notes	2.45 to 4.5	1,440,000	825,000
Capital Outlay Notes - Refunding	3.45 to 3.95	765,000	350,000
Capital Lease	4.59	82,975	42,478

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2010, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2011	\$ 1,805,000	\$ 1,293,707	\$ 3,098,707
2012	1,920,000	1,233,551	3,153,551
2013	2,015,000	1,167,172	3,182,172
2014	2,160,000	1,094,771	3,254,771
2015	2,305,000	1,012,829	3,317,829
2016-2020	9,260,000	3,786,714	13,046,714
2021-2025	7,570,000	2,102,995	9,672,995
2026-2029	5,200,000	579,407	5,779,407
Total	<u>\$ 32,235,000</u>	<u>\$ 12,271,146</u>	<u>\$ 44,506,146</u>

Year Ending June 30	Notes		
	Principal	Interest	Total
2011	\$ 240,000	\$ 47,097	\$ 287,097
2012	260,000	37,767	297,767
2013	265,000	27,498	292,498
2014	150,000	16,750	166,750
2015	85,000	10,400	95,400
2016-2017	175,000	10,600	185,600
Total	<u>\$ 1,175,000</u>	<u>\$ 150,112</u>	<u>\$ 1,325,112</u>

There is \$5,083,931 available in the debt service funds to service long-term debt. Bonded debt per capita totaled \$1,263, based on the 2000 federal census. Debt per capita, including bonds, notes, and capital leases totaled \$1,311, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

Governmental Activities:	Bonds	Notes	Leases
Balance, July 1, 2009	\$ 28,435,000	\$ 1,455,000	\$ 57,399
Additions	8,215,000	0	0
Deductions	(4,415,000)	(280,000)	(14,921)
Balance, June 30, 2010	\$ 32,235,000	\$ 1,175,000	\$ 42,478
Balance Due Within One Year	\$ 1,805,000	\$ 240,000	\$ 17,009

	Compensated Absences	Landfill Postclosure Care Costs	Other Postemployment Benefits
Balance, July 1, 2009	\$ 80,060	\$ 113,402	\$ 19,069
Additions	99,052	0	45,045
Deductions	(99,109)	(5,576)	(3,600)
Balance, June 30, 2010	\$ 80,003	\$ 107,826	\$ 60,514
Balance Due Within One Year	\$ 53,589	\$ 3,000	\$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 33,700,821
Less: Balance Due Within One Year	(2,118,598)
Less: Deferred Discount on Debt	(9,896)
Add: Unamortized Premium on Debt	39,159
Less: Deferred Amount on Refunding	(257,615)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	\$ 31,353,871

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

Current Refunding

On November 10, 2009, Henderson County issued \$2,815,000 in general obligation bonds for a current refunding of \$2,775,000 Rural School Bonds. As a result, the refunded bonds are considered defeased, and the liability has been removed from the county's long-term debt. Because of the refunding, total debt service payments over the next six years will be decreased by \$187,613. The economic gain on this refunding was \$187,307.

**Discretely Presented Henderson County School Department**

**Changes in Long-term Liabilities**

Long-term liability activity for the discretely presented Henderson County School Department for the year ended June 30, 2010, was as follows:

Governmental Activities:

	Notes	Other Postemployment Benefits
Balance, July 1, 2009	\$ 26,667	\$ 337,005
Additions	0	203,801
Deductions	(26,667)	(128,886)
Balance, June 30, 2010	<u>\$ 0</u>	<u>\$ 411,920</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 0</u>

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

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Henderson County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2010, were \$96,684 and \$30,122, 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**

**Henderson County**

**Employee Health Insurance**

Henderson County participates in the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and

quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated (TCA), all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

#### Workers' Compensation Insurance

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

#### Liability, Property, and Casualty

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

#### Discretely Presented Henderson County School Department

The discretely presented Henderson County School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, TCA, all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. Section 8-27-303, TCA, provides for the LEGIF to be self-sustaining through member premiums.

The School Department participates in the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The School Department pays annual premiums to the TN-RMT for its general liability, property, casualty, and workers'

compensation insurance coverage. The creation of TN-RMT provides for it to be self-sustaining through member premiums.

**B. Accounting Changes**

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments became effective for the year ended June 30, 2010.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets. Intangible assets have three characteristics: lack of physical substance; nonfinancial in nature; and a useful life that extends beyond a single reporting period. Assets that have these characteristics and are identifiable to the government should be recorded as capital assets and amortized over their useful lives. Easements, water rights, patents, and computer software are examples of intangible assets that should be recognized under GASB Statement No. 51. Henderson County had no assets that met the definition of intangible assets as of June 30, 2010. However, it is reasonably expected that Henderson County may acquire intangible assets in subsequent years.

GASB Statement No. 53, addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by county governments. Derivative instruments are financial arrangements used by governments as investments; hedges against identified financial risks; or to lower the costs of borrowings. Interest rate swaps and locks, options, swaptions, forward contracts, and futures contracts are among the commonly used types of derivatives mentioned in GASB Statements No. 53. Derivative instruments associated with fluctuating financial and commodity prices result in changing cash flows and fair values that can be used as effective risks management and investment tools. For the same reasons, derivative instruments can expose governments to significant risks and liabilities. The requirements of GASB Statement No. 53 are intended to help users of financial information evaluate the effectiveness and associated risks involved with Henderson County's derivative transactions. GASB Statement No. 53 requires most derivatives to be reported at fair value in the Statement of Net Assets. Changes in fair value for derivative instruments that are intended for investments purposes or that are reported like investment derivative instruments because of ineffectiveness are reported as investment revenues in the Statement of Activities. Alternatively, the changes in fair value of derivative instruments that are classified as hedging (i.e. effective) derivative instruments are reported in the Statement of Net Assets as deferrals. Henderson County had not participated in derivative transactions as of June 30, 2010. However, it is reasonably expected that Henderson County may enter into derivative transactions in subsequent years.

**C. Subsequent Events**

On August 27, 2010, Henderson County issued general obligation capital outlay notes totaling \$405,000 for equipment for the county's Fire Department.

On August 31, 2010, Mr. Dennis Ray McDaniel left the Office of County Mayor and was succeeded by Mr. Dan Hughes, and Mr. Denny Phillips left the Office of Register and was succeeded by Mr. Doug Bartholomew.

**D. Contingent Liabilities**

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

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

Henderson County and the City of Lexington have an active permit on file with the state Department of Environment and Conservation for a sanitary landfill. The city and county have provided financial assurances for estimated closure and postclosure liabilities as required by the State of Tennessee. These financial assurances are on file with the Department of Environment and Conservation.

State and federal laws and regulations require the city and county to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Henderson County and the City of Lexington closed their sanitary landfill in 1997. The \$107,826 reported as postclosure care liability at June 30, 2010, represents the county's 50 percent share of the amounts based on what it would cost to perform all postclosure care in 2010. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**F. Joint Ventures**

The Henderson County/Lexington Indigent Care Trust Fund was created by Henderson County and the City of Lexington and is governed by the Board of Trustees. The Board of Trustees comprises three members, two of whom are appointed by the Henderson County Commission. The City of Lexington's Board of City Aldermen and mayor appoint the remaining member. The hospital administrator of the Henderson County Community Hospital serves as an ex-officio nonvoting member. Henderson County and the City of

Lexington have contributed monies to the Indigent Care Trust Fund. In accordance with the Indigent Care Trust Agreement, the city and county will not be responsible for any additional deposits to the Indigent Care Trust Fund. The trust fund will satisfy in full any obligations of the county and city for indigent care. The trust's funds were invested until August 15, 2005, when the Treasury bill matured and the funds were placed in the bank account under the control of the Indigent Care Board. The income from the trust fund will be available for payment solely to the hospital for treatment rendered to indigent patients from the hospital service area. Payments to the hospital from the trust fund shall be made semi-annually following the receipt by the trustees of a statement depicting the amount of care rendered by the hospital to indigent patients.

The Beech River Regional Airport was established through a joint operations agreement between Decatur County, Henderson County, the City of Parsons, and the City of Lexington. The agreement created the Beech River Regional Airport Board to plan, develop, and maintain a regional airport that will economically benefit all residents of the two-county area. The board comprises nine members, two from each governmental unit and one appointed by the governmental entities on a one-year rotation basis. Each participant retains a 25 percent ownership in the airport; however, participants do not retain an equity interest in the airport. During the year ended June 30, 2010, the county appropriated an operating subsidy of \$38,500 to the airport.

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

Administrative Offices:

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

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

**G. Retirement Commitments**

**Plan Description**

County Employees

Employees of Henderson County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System

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

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

### County Officials

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

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

## **Funding Policy**

### County Employees

Henderson County requires employees to contribute five percent percent of their earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2010, was 9.07 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

### County Officials

Henderson County requires employees to contribute five percent percent of their earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2010, was 5.81 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

## **Annual Pension Cost**

### County Employees

For the year ended June 30, 2010, Henderson County's annual pension cost of \$497,372 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 post retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The 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 15 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

**Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-10	\$497,372	100%	\$0
6-30-09	481,686	100	0
6-30-08	466,679	100	0

County Officials

For the year ended June 30, 2010, Henderson County's annual pension cost of \$44,306 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 post retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The 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 ten years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

**Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-10	\$44,306	100%	\$0
6-30-09	42,755	100	0
6-30-08	55,710	100	0

**Funded Status and Funding Progress**

County Employees

As of July 1, 2009, the most recent actuarial valuation date, the plan was 71.30 percent funded. The actuarial accrued liability for benefits was \$6.69 million, and the actuarial value of assets was \$4.77 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.92 million. The covered

payroll (annual payroll of active employees covered by the plan) was \$5.16 million, and the ratio of the UAAL to the covered payroll was 37.25 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.

### County Officials

As of July 1, 2009, the most recent actuarial valuation date, the plan was 81.56 percent funded. The actuarial accrued liability for benefits was \$1.35 million, and the actuarial value of assets was \$1.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.25 million. The covered payroll (annual payroll of active employees covered by the plan) was \$.76 million, and the ratio of the UAAL to the covered payroll was 33 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

### School Teachers

#### **Plan Description**

The Henderson County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS).

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

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

### **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2010, was 6.42 percent of annual covered payroll. The employer contribution requirement for the 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, 2010, 2009, and 2008, were \$802,877, \$784,098, and \$727,037, respectively, equal to the required contributions for each year.

## **H. Other Postemployment Benefits (OPEB)**

### **Plan Description**

Henderson County and the School Department participate in the state-administered Local Government Group Insurance Plan and 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 8-27-302, Tennessee Code Annotated (TCA), for local education

employees and Section 8-27-207, TCA, for local governments. 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 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. During the year ended June 30, 2010, Henderson County and the School Department contributed \$3,600 and \$128,886, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Government Group Plan	Local Education Group Plan
ARC	\$ 45,000	\$ 203,000
Interest on the NPO	858	15,165
Adjustment to the ARC	(813)	(14,364)
Annual OPEB cost	\$ 45,045	\$ 203,801
Less: Amount of contribution	(3,600)	(128,886)
Increase/Decrease in NPO	\$ 41,445	\$ 74,915
Net OPEB obligation, 7-1-09	19,069	337,005
Net OPEB obligation, 6-30-10	\$ 60,514	\$ 411,920

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	\$ 14,651	38%	\$ 9,063
6-30-09	"	15,264	34	19,069
6-30-10	"	45,045	8	60,514
6-30-08	Local Education Group	245,896	37	154,360
6-30-09	"	260,389	30	337,005
6-30-10	"	203,801	63	411,920

### Funding Status and Funding Progress

The funded status of the plan as of July 1, 2009, was as follows:

	Local Government Group Plan	Local Education Group Plan
Actuarial valuation date	7-1-09	7-1-09
Actuarial accrued liability (AAL)	\$ 269,000	\$ 2,048,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 269,000	\$ 2,048,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 3,946,730	\$ 9,770,305
UAAL as a % of covered payroll	7%	21%

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 multi-year 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 the 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, 2009, actuarial valuation the projected unit credit actuarial cost method was used and the actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses). The annual healthcare cost trend rate for the Local Education plan was four percent for fiscal year 2010. The trend will rise to ten percent in fiscal year 2011 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. The annual healthcare cost trend rate for the Local Government plan was three percent for fiscal year 2010. The trend will rise to ten percent in fiscal year 2011 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. 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.

**I. Office of Central Accounting and Budgeting**

Office of Director of Finance

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

**J. Purchasing Law**

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

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

**A. General Information**

GASB Conformity

The financial statements included herein are prepared in conformity with generally accepted accounting principles as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB). GASB is the

accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 20, Election of a Reporting Method, required the Henderson County Emergency Communications District to elect either (1) all provisions of the Financial Accounting Standards Board (FASB) issued prior to 1989 for proprietary type funds, or (2) all provisions of FASB regardless of the issue date for proprietary type funds. The district elected to adopt only the provisions of FASB prior to 1989.

### Component Unit

The district provides 911 emergency assistance to persons living in Henderson County. The district is a component unit of Henderson County. Accordingly, this financial data is incorporated into the county's financial statements. The district is governed by nine members who are appointed by the Henderson County Commission. The County Commission pays all salaries and benefits for district personnel and furnishes the district's operating headquarters. The district reimburses the County Commission a portion of personnel salaries, which is shown in expenses under contract with government agencies.

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

### **1. Basis of Accounting**

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

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

### **2. Capital Assets**

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

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

**3. Operating Revenues and Expenses**

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

**4. Fund Accounting**

The accounts of the district are organized on the basis of funds. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses, as appropriate. The accounts in the financial statements in this report fall under one broad fund category as follows:

**Proprietary Funds**

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

**C. Revenues**

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

**D. Risk Management**

All of the district's capital assets are located in or on facilities owned by Henderson County. The district owns all office and communications equipment. The district is exposed to loss of personal property by fire, accident, or an act of God, as well as tort liabilities and errors and omissions. The district is insured against these risks under the Henderson County government's general insurance coverage. It is also insured against possible loss related to acts of district key officers or directors by a separate blanket

fidelity bond carried by the district. The district has had no insurance settlements in excess of insurance coverage during the past three years.

**E. Cash and Cash Equivalents**

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

**F. Capital Assets**

Capital asset activity for the year ended June 30, 2010, was as follows:

Description	Balance		Retirements	Balance	
	7-1-09	Additions		6-30-10	
Capital assets being depreciated:					
Buildings and improvements	\$ 25,786	\$ 0	\$ 0	\$ 25,786	
Furniture and fixtures	153	0	153	0	
Office equipment	35,083	0	24,790	10,293	
Communications equipment	148,277	76,937	96,052	129,162	
Vehicles	12,800	0	0	12,800	
Total capital assets being depreciated	\$ 222,099	\$ 76,937	\$ 120,995	\$ 178,041	
Less accumulated depreciation for:					
Buildings and improvements	\$ 16,083	\$ 629	\$ 0	\$ 16,712	
Furniture and fixtures	153	0	153	0	
Office equipment	34,173	590	24,735	10,028	
Communications equipment	102,272	24,162	87,917	38,517	
Vehicles	9,600	2,560	0	12,160	
Total capital assets being depreciated	\$ 162,281	\$ 27,941	\$ 112,805	\$ 77,417	
Total capital assets, net	\$ 59,818	\$ 48,996	\$ 8,190	\$ 100,624	

Depreciation expense of \$27,941 was recorded by the district.

**G. Stewardship, Compliance, and Accountability**

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

**1. Deposits and Investments Laws and Regulations**

The district's investment policies are governed by state statute. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit and savings accounts. The district has no policy that further limits allowable investments. At June 30, 2010, investments consisted entirely of certificates of deposit with original maturities greater than three months at a local bank. Investments are carried at cost, which approximates fair value.

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

**2. Budget Appropriations**

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

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

## **H. Estimates and Assumptions**

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

---

---

**REQUIRED SUPPLEMENTARY  
INFORMATION**

---

---

Exhibit E-1

Henderson County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
General Fund  
For the Year Ended June 30, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 3,385,166	\$ 0	\$ 0	\$ 3,385,166	\$ 3,177,724	\$ 3,218,118	\$ 167,048
Licenses and Permits	855	0	0	855	1,500	1,500	(645)
Fines, Forfeitures, and Penalties	221,886	0	0	221,886	165,000	166,500	55,386
Charges for Current Services	46,732	0	0	46,732	14,500	43,581	3,151
Other Local Revenues	191,809	0	0	191,809	81,000	89,021	102,788
Fees Received from County Officials	351,906	0	0	351,906	427,000	427,000	(75,094)
State of Tennessee	470,991	0	0	470,991	268,566	447,369	23,622
Federal Government	97,293	0	0	97,293	20,600	68,167	29,126
Other Governments and Citizens Groups	354,018	0	0	354,018	335,803	335,803	18,215
Total Revenues	\$ 5,120,656	\$ 0	\$ 0	\$ 5,120,656	\$ 4,491,693	\$ 4,797,059	\$ 323,597
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 78,159	\$ 0	\$ 0	\$ 78,159	\$ 77,049	\$ 78,167	\$ 8
Board of Equalization	1,300	0	0	1,300	1,500	1,500	200
County Mayor/Executive	115,422	0	0	115,422	115,131	115,951	529
County Attorney	7,291	0	0	7,291	7,509	7,509	218
Election Commission	138,376	(206)	0	138,170	149,461	149,461	11,291
Register of Deeds	149,186	0	0	149,186	144,796	159,366	10,180
County Buildings	112,311	(1,600)	500	111,211	142,094	142,093	30,882
<u>Finance</u>							
Accounting and Budgeting	298,626	(4,878)	25,170	318,918	269,656	320,207	1,289
Property Assessor's Office	172,083	0	1,489	173,572	181,741	181,741	8,169
Reappraisal Program	36,495	0	0	36,495	39,891	39,891	3,396
County Trustee's Office	24,296	(4,404)	0	19,892	24,300	24,300	4,408

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Finance (Cont.)</u>							
County Clerk's Office	\$ 29,164	\$ 0	\$ 0	\$ 29,164	\$ 30,808	\$ 30,809	\$ 1,645
<u>Administration of Justice</u>							
Circuit Court	63,756	(299)	0	63,457	49,916	72,917	9,460
General Sessions Court	157,787	0	0	157,787	162,423	160,280	2,493
Drug Court	1,500	0	0	1,500	0	1,500	0
Chancery Court	19,952	0	303	20,255	25,500	25,501	5,246
Juvenile Court	48,034	0	0	48,034	46,846	48,988	954
<u>Public Safety</u>							
Sheriff's Department	1,257,002	(2,821)	11,682	1,265,863	1,186,946	1,327,748	61,885
Administration of the Sexual Offender Registry	1,722	0	0	1,722	0	2,096	374
Workhouse	545,566	(6,046)	0	539,520	467,751	579,388	39,868
Fire Prevention and Control	226,251	(338)	0	225,913	214,345	266,833	40,920
Civil Defense	26,193	0	0	26,193	27,956	27,956	1,763
Rescue Squad	15,000	0	0	15,000	15,000	15,000	0
Disaster Relief	164	0	0	164	0	164	0
Other Emergency Management	9,607	0	0	9,607	8,802	9,740	133
County Coroner/Medical Examiner	28,427	0	0	28,427	48,013	30,361	1,934
Other Public Safety	387,952	0	0	387,952	388,968	388,969	1,017
<u>Public Health and Welfare</u>							
Local Health Center	140,049	0	45	140,094	36,280	144,142	4,048
Alcohol and Drug Programs	0	0	0	0	8,000	8,000	8,000
Other Local Health Services	2,000	0	0	2,000	4,000	4,000	2,000
Regional Mental Health Center	8,946	0	0	8,946	0	50,000	41,054
Appropriation to State	12,300	0	0	12,300	12,300	12,300	0

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	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>							
Aid to Dependent Children	\$ 0	\$ 0	\$ 0	\$ 0	\$ 700	\$ 700	\$ 700
Waste Pickup	34,075	(1,228)	0	32,847	33,066	67,398	34,551
<u>Social, Cultural, and Recreational Services</u>							
Adult Activities	2,807	0	0	2,807	5,808	5,808	3,001
Senior Citizens Assistance	10,000	0	0	10,000	15,500	15,500	5,500
Libraries	44,568	0	0	44,568	40,000	44,568	0
Other Social, Cultural, and Recreational Agriculture and Natural Resources	16,560	0	0	16,560	16,000	16,560	0
Agriculture Extension Service	66,048	(114)	0	65,934	68,815	68,815	2,881
Soil Conservation	14,570	0	145	14,715	16,889	17,523	2,808
Flood Control	1,500	0	0	1,500	5,000	5,000	3,500
<u>Other Operations</u>							
Tourism	7,000	0	0	7,000	7,000	7,000	0
Industrial Development	15,389	0	0	15,389	7,000	15,389	0
Veterans' Services	41,025	0	0	41,025	43,817	42,878	1,853
Other Charges	206,667	0	0	206,667	250,261	221,555	14,888
Employee Benefits	14,458	0	0	14,458	28,168	28,168	13,710
Payments to Cities	20,232	0	0	20,232	20,572	20,572	340
ARRA Grant No. 1	17,088	0	0	17,088	0	17,088	0
Miscellaneous	124,596	0	500	125,096	135,474	127,662	2,566
<u>Principal on Debt</u>							
General Government	59,850	0	0	59,850	0	59,850	0
<u>Interest on Debt</u>							
General Government	9,932	0	0	9,932	0	9,932	0
Total Expenditures	\$ 4,821,282	\$ (21,934)	\$ 39,834	\$ 4,839,182	\$ 4,581,052	\$ 5,218,844	\$ 379,662

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Excess (Deficiency) of Revenues Over Expenditures	\$ 299,374 \$	21,934 \$	(39,834) \$	281,474 \$	(89,359) \$	(421,785) \$	703,259
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery Transfers In	\$ 29,983 \$	0 \$	0 \$	29,983 \$	0 \$	24,044 \$	5,939
	0	0	0	0	0	122,814	(122,814)
Total Other Financing Sources (Uses)	\$ 29,983 \$	0 \$	0 \$	29,983 \$	0 \$	146,858 \$	(116,875)
Net Change in Fund Balance Fund Balance, July 1, 2009	\$ 329,357 \$	21,934 \$	(39,834) \$	311,457 \$	(89,359) \$	(274,927) \$	586,384
	1,265,689	(21,934)	0	1,243,755	532,882	532,882	710,873
Fund Balance, June 30, 2010	\$ 1,595,046 \$	0 \$	(39,834) \$	1,555,212 \$	443,523 \$	257,955 \$	1,297,257

Exhibit E-2

Henderson County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<b>Revenues</b>						
Local Taxes	\$ 181,449	\$ 0	\$ 181,449	\$ 181,180	\$ 173,490	\$ 7,959
Other Local Revenues	21,400	0	21,400	0	0	21,400
State of Tennessee	1,749,393	0	1,749,393	2,317,537	2,336,615	(587,222)
<b>Total Revenues</b>	<b>\$ 1,952,242</b>	<b>\$ 0</b>	<b>\$ 1,952,242</b>	<b>\$ 2,498,717</b>	<b>\$ 2,510,105</b>	<b>\$ (557,863)</b>
<b>Expenditures</b>						
<u>Highways</u>						
Administration	\$ 112,499	\$ 0	\$ 112,499	\$ 117,061	\$ 120,395	\$ 7,896
Highway and Bridge Maintenance	1,259,599	0	1,259,599	1,291,047	1,349,644	90,045
Operation and Maintenance of Equipment	362,607	(2,850)	359,757	599,578	447,223	87,466
Other Charges	112,058	0	112,058	119,600	116,000	3,942
Employee Benefits	5,750	0	5,750	27,200	27,200	21,450
Capital Outlay	47,785	0	47,785	717,342	961,900	914,115
<u>Principal on Debt</u>						
Highways and Streets	14,921	0	14,921	0	14,921	0
Interest on Debt	2,133	0	2,133	0	4,179	2,046
Highways and Streets	1,917,352	(2,850)	1,914,502	2,871,828	3,041,462	1,126,960
<b>Total Expenditures</b>	<b>\$ 34,890</b>	<b>\$ 2,850</b>	<b>\$ 37,740</b>	<b>\$ (373,111)</b>	<b>\$ (531,357)</b>	<b>\$ 569,097</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>						
<b>Other Financing Sources (Uses)</b>						
Insurance Recovery	\$ 2,349	\$ 0	\$ 2,349	\$ 0	\$ 0	\$ 2,349
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 2,349</b>	<b>\$ 0</b>	<b>\$ 2,349</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,349</b>
<b>Net Change in Fund Balance Fund Balance, July 1, 2009</b>	<b>\$ 37,239</b>	<b>\$ 2,850</b>	<b>\$ 40,089</b>	<b>\$ (373,111)</b>	<b>\$ (531,357)</b>	<b>\$ 571,446</b>
	772,044	(2,850)	769,194	614,000	614,000	155,194
<b>Fund Balance, June 30, 2010</b>	<b>\$ 809,283</b>	<b>\$ 0</b>	<b>\$ 809,283</b>	<b>\$ 240,889</b>	<b>\$ 82,643</b>	<b>\$ 726,640</b>

Exhibit E-3

Henderson County, Tennessee  
Schedule of Funding Progress – Pension Plan  
Primary Government and the Discretely Presented Henderson County School Department  
June 30, 2010

(Dollar amounts in thousands)

	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial		Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) Entry Age (b)	Entry Age (b)				
County Officials	7-1-09	\$ 1,104	\$ 1,353	\$	249	81.56 %	\$ 756	33.00 %
"	7-1-07	928	1,034		106	89.75	594	17.85
General County Employees	7-1-09	4,773	6,695		1,922	71.30	5,158	37.25
"	7-1-07	3,435	4,298		863	79.92	4,588	18.81

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method went into effect during the 2007 actuarial valuation; therefore, only the two most recent valuations are presented.

Exhibit E-4

Henderson County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plans  
Primary Government and the Discretely Presented Henderson County School Department  
June 30, 2010

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date*	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>PRIMARY GOVERNMENT</u>							
Local Government Group	7-1-07	\$ 0	\$ 98	\$ 98	0 %	\$ 1,759	6 %
"	7-1-09	0	269	269	0	3,947	7
<u>DISCRETELY PRESENTED HENDERSON COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-07	0	2,448	2,448	0	7,821	29
"	7-1-09	0	2,048	2,048	0	9,770	21

\*Data only available for two actuarial valuations.

**HENDERSON COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2010**

**BUDGETARY INFORMATION**

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

The budgetary level of control is at the major category level established by the 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, County Mayor, Election Commission, etc.). Management may make revisions within major categories, but only the Henderson County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

---

---

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

---

---

# Nonmajor Governmental Funds

## Special Revenue Funds

---

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

---

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

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

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

## Debt Service Fund

---

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

---

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

Exhibit F-1

Henderson County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2010

	Special Revenue Funds				Debt Service Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total		
\$	0	0	979,478	979,478	0	979,478
\$	148,084	112,756	0	260,840	851,342	1,112,182
	99	0	28,412	28,511	0	28,511
	2,205	0	0	2,205	97,531	99,736
	317,572	0	0	317,572	0	317,572
	(6,955)	0	0	(6,955)	0	(6,955)
\$	461,005	112,756	1,007,890	1,581,651	948,873	2,530,524

ASSETS

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

LIABILITIES AND FUND BALANCES

	Liabilities		Fund Balances
	Due to Other Funds	Deferred Revenue - Current Property Taxes	
\$	0	263	263
\$	297,708	0	297,708
	11,549	0	11,549
	2,205	0	2,205
\$	311,462	263	311,725
\$	639	0	639
\$	149,543	1,007,627	1,269,287
\$	149,543	1,007,627	1,269,926
\$	461,005	1,007,890	1,581,651
\$	897,398	897,398	897,398
\$	948,873	948,873	948,873
\$	2,166,685	2,166,685	2,166,685
\$	2,167,324	2,167,324	2,167,324
\$	2,530,524	2,530,524	2,530,524

Exhibit F-2

Henderson County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2010

	Special Revenue Funds					Total	Debt Service Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Rural Debt Service				
<u>Revenues</u>								
Local Taxes	\$ 326,619	\$ 0	\$ 0	\$ 553,182	\$ 326,619	\$ 553,182	\$ 879,801	
Fines, Forfeitures, and Penalties	0	74,498	0	0	74,498	0	74,498	
Charges for Current Services	0	0	1,074,015	0	1,074,015	0	1,074,015	
Other Local Revenues	34,040	787	0	13,260	34,827	13,260	48,087	
State of Tennessee	3,795	225	0	0	4,020	0	4,020	
Total Revenues	\$ 364,454	\$ 75,510	\$ 1,074,015	\$ 566,442	\$ 1,513,979	\$ 566,442	\$ 2,080,421	
<u>Expenditures</u>								
Current:								
Finance	\$ 0	\$ 0	\$ 413,301	\$ 0	\$ 413,301	\$ 0	\$ 413,301	
Administration of Justice	0	0	552,497	0	552,497	0	552,497	
Public Safety	0	78,434	0	0	78,434	0	78,434	
Public Health and Welfare	392,222	0	0	0	392,222	0	392,222	
Debt Service:								
Principal on Debt	0	0	0	570,000	0	570,000	570,000	
Interest on Debt	0	0	0	159,583	0	159,583	159,583	
Other Debt Service	0	0	0	73,666	0	73,666	73,666	
Total Expenditures	\$ 392,222	\$ 78,434	\$ 965,798	\$ 803,249	\$ 1,436,454	\$ 803,249	\$ 2,239,703	
Excess (Deficiency) of Revenues Over Expenditures	\$ (27,768)	\$ (2,924)	\$ 108,217	\$ (236,807)	\$ 77,525	\$ (236,807)	\$ (159,282)	

(Continued)

Exhibit F-2

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

	Special Revenue Funds				Total	Debt Service Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees				
<u>Other Financing Sources (Uses)</u>							
Refunding Debt Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,815,000	\$ 2,815,000	
Premiums on Debt Issued	0	0	0	0	43,210	43,210	
Insurance Recovery	0	5,101	0	5,101	0	5,101	
Payments to Refunded Debt Escrow Agent	0	0	0	0	(2,802,446)	(2,802,446)	
<u>Total Other Financing Sources (Uses)</u>	<u>\$ 0</u>	<u>\$ 5,101</u>	<u>\$ 0</u>	<u>\$ 5,101</u>	<u>\$ 55,764</u>	<u>\$ 60,865</u>	
Net Change in Fund Balances	\$ (27,768)	\$ 2,177	\$ 108,217	\$ 82,626	\$ (181,043)	\$ (98,417)	
Fund Balance, July 1, 2009	177,311	110,579	899,410	1,187,300	1,078,441	2,265,741	
Fund Balance, June 30, 2010	\$ 149,543	\$ 112,756	\$ 1,007,627	\$ 1,269,926	\$ 897,398	\$ 2,167,324	

Exhibit F-3

Henderson 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, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 326,619 \$	0 \$	326,619 \$	318,984 \$	318,984 \$	7,635
Other Local Revenues	34,040	0	34,040	15,000	15,000	19,040
State of Tennessee	3,795	0	3,795	0	0	3,795
Total Revenues	\$ 364,454 \$	0 \$	364,454 \$	333,984 \$	333,984 \$	30,470
<u>Expenditures</u>						
<u>Public Health and Welfare</u>						
Sanitation Education/Information	\$ 392,222 \$	(51) \$	392,171 \$	406,047 \$	416,727 \$	24,556
Total Expenditures	\$ 392,222 \$	(51) \$	392,171 \$	406,047 \$	416,727 \$	24,556
Excess (Deficiency) of Revenues Over Expenditures	\$ (27,768) \$	51 \$	(27,717) \$	(72,063) \$	(82,743) \$	55,026
Net Change in Fund Balance Fund Balance, July 1, 2009	\$ (27,768) \$	51 \$	(27,717) \$	(72,063) \$	(82,743) \$	55,026
	177,311	(51)	177,260	173,000	173,000	4,260
Fund Balance, June 30, 2010	\$ 149,543 \$	0 \$	149,543 \$	100,937 \$	90,257 \$	59,286

Exhibit F-4

Henderson County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Drug Control Fund  
For the Year Ended June 30, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Fines, Forfeitures, and Penalties	\$ 74,498 \$	0 \$	0 \$	74,498 \$	36,000 \$	36,000 \$	38,498
Other Local Revenues	787	0	0	787	0	0	787
State of Tennessee	225	0	0	225	0	0	225
Total Revenues	\$ 75,510 \$	0 \$	0 \$	75,510 \$	36,000 \$	36,000 \$	39,510
<u>Expenditures</u>							
<u>Public Safety</u>							
Drug Enforcement	\$ 78,434 \$	(1,534) \$	639 \$	77,539 \$	35,100 \$	82,656 \$	5,117
Total Expenditures	\$ 78,434 \$	(1,534) \$	639 \$	77,539 \$	35,100 \$	82,656 \$	5,117
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,924) \$	1,534 \$	(639) \$	(2,029) \$	900 \$	(46,656) \$	44,627
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 5,101 \$	0 \$	0 \$	5,101 \$	0 \$	0 \$	5,101
Total Other Financing Sources (Uses)	\$ 5,101 \$	0 \$	0 \$	5,101 \$	0 \$	0 \$	5,101
Net Change in Fund Balance Fund Balance, July 1, 2009	\$ 2,177 \$	1,534 \$	(639) \$	3,072 \$	900 \$	(46,656) \$	49,728
	110,579	(1,534)	0	109,045	79,982	79,982	29,063
Fund Balance, June 30, 2010	\$ 112,756 \$	0 \$	(639) \$	112,117 \$	80,882 \$	33,326 \$	78,791

Exhibit F-5

Henderson County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Rural Debt Service Fund  
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 553,182	\$ 400,000	\$ 400,000	\$ 153,182
Other Local Revenues	13,260	5,000	6,431	6,829
Total Revenues	<u>\$ 566,442</u>	<u>\$ 405,000</u>	<u>\$ 406,431</u>	<u>\$ 160,011</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 570,000	\$ 562,000	\$ 570,000	\$ 0
<u>Interest on Debt</u>				
Education	159,583	203,843	159,583	0
<u>Other Debt Service</u>				
Education	73,666	0	75,371	1,705
Total Expenditures	<u>\$ 803,249</u>	<u>\$ 765,843</u>	<u>\$ 804,954</u>	<u>\$ 1,705</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (236,807)</u>	<u>\$ (360,843)</u>	<u>\$ (398,523)</u>	<u>\$ 161,716</u>
<u>Other Financing Sources (Uses)</u>				
Refunding Debt Issued	\$ 2,815,000	\$ 0	\$ 2,755,869	\$ 59,131
Premiums on Debt Issued	43,210	0	43,210	0
Transfers In	0	293,555	293,555	(293,555)
Payments to Refunded Debt Escrow Agent	(2,802,446)	0	(2,802,446)	0
Total Other Financing Sources (Uses)	<u>\$ 55,764</u>	<u>\$ 293,555</u>	<u>\$ 290,188</u>	<u>\$ (234,424)</u>
Net Change in Fund Balance	<u>\$ (181,043)</u>	<u>\$ (67,288)</u>	<u>\$ (108,335)</u>	<u>\$ (72,708)</u>
Fund Balance, July 1, 2009	<u>1,078,441</u>	<u>1,032,000</u>	<u>1,032,000</u>	<u>46,441</u>
Fund Balance, June 30, 2010	<u>\$ 897,398</u>	<u>\$ 964,712</u>	<u>\$ 923,665</u>	<u>\$ (26,267)</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.

---

Exhibit G

Henderson County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,605,350	\$ 2,412,248	\$ 2,412,248	\$ 193,102
Other Local Revenues	68,834	50,000	50,000	18,834
Other Governments and Citizens Groups	293,555	0	0	293,555
Total Revenues	<u>\$ 2,967,739</u>	<u>\$ 2,462,248</u>	<u>\$ 2,462,248</u>	<u>\$ 505,491</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 125,040	\$ 204,850	\$ 139,740	\$ 14,700
Education	1,165,110	1,183,483	1,223,633	58,523
<u>Interest on Debt</u>				
General Government	628,306	560,677	630,745	2,439
Education	645,896	647,582	655,075	9,179
<u>Other Debt Service</u>				
General Government	45,734	0	50,038	4,304
Education	350	0	2,000	1,650
Total Expenditures	<u>\$ 2,610,436</u>	<u>\$ 2,596,592</u>	<u>\$ 2,701,231</u>	<u>\$ 90,795</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 357,303</u>	<u>\$ (134,344)</u>	<u>\$ (238,983)</u>	<u>\$ 596,286</u>
Net Change in Fund Balance	\$ 357,303	\$ (134,344)	\$ (238,983)	\$ 596,286
Fund Balance, July 1, 2009	<u>3,829,230</u>	<u>3,739,000</u>	<u>3,739,000</u>	<u>90,230</u>
Fund Balance, June 30, 2010	<u>\$ 4,186,533</u>	<u>\$ 3,604,656</u>	<u>\$ 3,500,017</u>	<u>\$ 686,516</u>

# Fiduciary Funds

---

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

---

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

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

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

Exhibit H-1

Henderson County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2010

	Agency Funds			
	Cities - Sales Tax	City School ADA - Lexington	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 1,735,888	\$ 1,735,888
Equity in Pooled Cash and Investments	0	87,940	0	87,940
Accounts Receivable	0	157	3,212	3,369
Due from Other Governments	492,758	131,946	0	624,704
Taxes Receivable	0	403,522	0	403,522
Allowance for Uncollectible Taxes	0	(11,035)	0	(11,035)
Total Assets	<u>\$ 492,758</u>	<u>\$ 612,530</u>	<u>\$ 1,739,100</u>	<u>\$ 2,844,388</u>
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 492,758	\$ 612,530	\$ 0	\$ 1,105,288
Due to Litigants, Heirs, and Others	0	0	1,739,100	1,739,100
Total Liabilities	<u>\$ 492,758</u>	<u>\$ 612,530</u>	<u>\$ 1,739,100</u>	<u>\$ 2,844,388</u>

Exhibit H-2

Henderson County, Tennessee  
Combining Statement of Changes in Assets and Liabilities - All Agency Funds  
For the Year Ended June 30, 2010

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 2,784,199	\$ 2,784,199	\$ 0
Due from Other Governments	480,228	492,758	480,228	492,758
<b>Total Assets</b>	<b>\$ 480,228</b>	<b>\$ 3,276,957</b>	<b>\$ 3,264,427</b>	<b>\$ 492,758</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 480,228	\$ 3,276,957	\$ 3,264,427	\$ 492,758
<b>Total Liabilities</b>	<b>\$ 480,228</b>	<b>\$ 3,276,957</b>	<b>\$ 3,264,427</b>	<b>\$ 492,758</b>
<u>City School ADA - Lexington Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 87,879	\$ 1,355,756	\$ 1,355,695	\$ 87,940
Accounts Receivable	147	157	147	157
Due from Other Governments	137,171	131,946	137,171	131,946
Taxes Receivable	418,683	403,522	418,683	403,522
Allowance for Uncollectible Taxes	(10,678)	(11,035)	(10,678)	(11,035)
<b>Total Assets</b>	<b>\$ 633,202</b>	<b>\$ 1,880,346</b>	<b>\$ 1,901,018</b>	<b>\$ 612,530</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 633,202	\$ 1,880,346	\$ 1,901,018	\$ 612,530
<b>Total Liabilities</b>	<b>\$ 633,202</b>	<b>\$ 1,880,346</b>	<b>\$ 1,901,018</b>	<b>\$ 612,530</b>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,851,183	\$ 7,198,027	\$ 7,313,322	\$ 1,735,888
Accounts Receivable	2,378	3,212	2,378	3,212
<b>Total Assets</b>	<b>\$ 1,853,561</b>	<b>\$ 7,201,239</b>	<b>\$ 7,315,700</b>	<b>\$ 1,739,100</b>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,853,561	\$ 7,201,239	\$ 7,315,700	\$ 1,739,100
<b>Total Liabilities</b>	<b>\$ 1,853,561</b>	<b>\$ 7,201,239</b>	<b>\$ 7,315,700</b>	<b>\$ 1,739,100</b>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,851,183	\$ 7,198,027	\$ 7,313,322	\$ 1,735,888
Equity in Pooled Cash and Investments	87,879	4,139,955	4,139,894	87,940
Accounts Receivable	2,525	3,369	2,525	3,369
Due from Other Governments	617,399	624,704	617,399	624,704
Taxes Receivable	418,683	403,522	418,683	403,522
Allowance for Uncollectible Taxes	(10,678)	(11,035)	(10,678)	(11,035)
<b>Total Assets</b>	<b>\$ 2,966,991</b>	<b>\$ 12,358,542</b>	<b>\$ 12,481,145</b>	<b>\$ 2,844,388</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,113,430	\$ 5,157,303	\$ 5,165,445	\$ 1,105,288
Due to Litigants, Heirs, and Others	1,853,561	7,201,239	7,315,700	1,739,100
<b>Total Liabilities</b>	<b>\$ 2,966,991</b>	<b>\$ 12,358,542</b>	<b>\$ 12,481,145</b>	<b>\$ 2,844,388</b>

# Henderson County School Department

---

This section presents combining and individual fund financial statements for the Henderson County School Department, a discretely presented component unit. The School Department uses a General Fund and three 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 on specific education programs.

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

School Transportation Fund – The School Transportation Fund is used to account for transportation of students.

Exhibit I-1

Henderson County, Tennessee  
Statement of Activities  
Discretely Presented Henderson County School Department  
For the Year Ended June 30, 2010

Functions/Programs	Program Revenues		Expenses	Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions		Total Governmental Activities	Governmental Activities
Governmental Activities:					
Instruction	\$ 17,616,936	\$ 9,318	\$ 1,894,832	\$ (15,712,786)	
Support Services	8,304,736	188,336	217,855	(7,898,545)	
Operation of Non-Instructional Services	2,552,088	1,200,788	1,652,108	300,808	
Interest on Long-term Debt	110	0	0	(110)	
Other Debt Service	293,555	0	0	(293,555)	
<b>Total Governmental Activities</b>	<b>\$ 28,767,425</b>	<b>\$ 1,398,442</b>	<b>\$ 3,764,795</b>	<b>\$ (23,604,188)</b>	
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes				\$ 2,805,757	
Local Option Sales Taxes				2,353,393	
Other Local Taxes				342,597	
Grants and Contributions Not Restricted to Specific Programs				19,158,636	
Miscellaneous				58,367	
<b>Total General Revenues</b>				<b>\$ 24,718,750</b>	
Change in Net Assets				\$ 1,114,562	
Net Assets, July 1, 2009				21,180,110	
<b>Net Assets, June 30, 2010</b>				<b>\$ 22,294,672</b>	

Exhibit I-2

Henderson County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Henderson County School Department  
June 30, 2010

	Major Funds			Nonmajor	Total
	General Purpose School	School Federal Projects	School Transportation	Fund Central Cafeteria	
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 3,926,167	\$ 73	\$ 133,504	\$ 515,317	\$ 4,575,061
Accounts Receivable	38	2,323	701	0	3,062
Due from Other Governments	733,205	292,360	0	0	1,025,565
Due from Other Funds	0	1,158	0	0	1,158
Property Taxes Receivable	1,518,043	0	882,144	0	2,400,187
Allowance for Uncollectible Property Taxes	(41,515)	0	(19,319)	0	(60,834)
<b>Total Assets</b>	<b>\$ 6,135,938</b>	<b>\$ 295,914</b>	<b>\$ 997,030</b>	<b>\$ 515,317</b>	<b>\$ 7,944,199</b>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 18,055	\$ 147,536	\$ 0	\$ 1,575	\$ 167,166
Due to Other Funds	1,158	0	0	0	1,158
Deferred Revenue - Current Property Taxes	1,399,480	0	826,968	0	2,226,448
Deferred Revenue - Delinquent Property Taxes	70,628	0	32,072	0	102,700
Other Deferred Revenues	284,834	0	0	0	284,834
<b>Total Liabilities</b>	<b>\$ 1,774,155</b>	<b>\$ 147,536</b>	<b>\$ 859,040</b>	<b>\$ 1,575</b>	<b>\$ 2,782,306</b>
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 204,261	\$ 0	\$ 0	\$ 0	\$ 204,261
Reserved for Career Ladder - Extended Contract	26,704	0	0	0	26,704
Reserved for Career Ladder Program	1,452	0	0	0	1,452
Reserved for Title I Grants to Local Education Agencies	0	126,187	0	0	126,187
Reserved for Special Education - Grants to States	0	14,180	0	0	14,180
Other Federal Reserves	0	8,011	0	0	8,011
Unreserved, Reported In:					
General Fund	4,129,366	0	0	0	4,129,366
Special Revenue Funds	0	0	137,990	513,742	651,732
<b>Total Fund Balances</b>	<b>\$ 4,361,783</b>	<b>\$ 148,378</b>	<b>\$ 137,990</b>	<b>\$ 513,742</b>	<b>\$ 5,161,893</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,135,938</b>	<b>\$ 295,914</b>	<b>\$ 997,030</b>	<b>\$ 515,317</b>	<b>\$ 7,944,199</b>

Exhibit I-3

Henderson County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
Discretely Presented Henderson County School Department  
June 30, 2010

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)		\$ 5,161,893
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 904,161	
Add: buildings and improvements net of accumulated depreciation	15,872,907	
Add: other capital assets net of accumulated depreciation	<u>380,097</u>	17,157,165
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: other postemployment benefits liability		(411,920)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>387,534</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 22,294,672</u>

Exhibit I-4

Henderson County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Discretely Presented Henderson County School Department  
For the Year Ended June 30, 2010

	Major Funds			Nonmajor	Total
	General Purpose School	School Federal Projects	School Transportation	Fund Central Cafeteria	
<u>Revenues</u>					
Local Taxes	\$ 4,631,815	\$ 0	\$ 907,322	\$ 0	\$ 5,539,137
Licenses and Permits	2,292	0	0	0	2,292
Charges for Current Services	191,250	0	0	1,199,438	1,390,688
Other Local Revenues	122,146	0	22,601	1,301	146,048
State of Tennessee	17,996,587	82,117	0	0	18,078,704
Federal Government	237,273	3,142,355	0	1,147,030	4,526,658
<b>Total Revenues</b>	<b>\$ 23,181,363</b>	<b>\$ 3,224,472</b>	<b>\$ 929,923</b>	<b>\$ 2,347,769</b>	<b>\$ 29,683,527</b>
<u>Expenditures</u>					
Current:					
Instruction	\$ 14,192,741	\$ 2,394,062	\$ 0	\$ 0	\$ 16,586,803
Support Services	6,396,049	791,377	994,105	0	8,181,531
Operation of Non-Instructional Services	456,125	0	0	1,834,027	2,290,152
Capital Outlay	408,387	0	0	0	408,387
Debt Service:					
Principal on Debt	0	0	26,667	0	26,667
Interest on Debt	0	0	1,177	0	1,177
Other Debt Service	293,555	0	0	0	293,555
<b>Total Expenditures</b>	<b>\$ 21,746,857</b>	<b>\$ 3,185,439</b>	<b>\$ 1,021,949</b>	<b>\$ 1,834,027</b>	<b>\$ 27,788,272</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,434,506	\$ 39,033	\$ (92,026)	\$ 513,742	\$ 1,895,255
<u>Other Financing Sources (Uses)</u>					
Insurance Recovery	\$ 4,773	\$ 0	\$ 0	\$ 0	\$ 4,773
Transfers In	4,650	0	0	0	4,650
Transfers Out	0	(4,650)	0	0	(4,650)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 9,423</b>	<b>\$ (4,650)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 4,773</b>
Net Change in Fund Balances	\$ 1,443,929	\$ 34,383	\$ (92,026)	\$ 513,742	\$ 1,900,028
Fund Balance, July 1, 2009	2,917,854	113,995	230,016	0	3,261,865
<b>Fund Balance, June 30, 2010</b>	<b>\$ 4,361,783</b>	<b>\$ 148,378</b>	<b>\$ 137,990</b>	<b>\$ 513,742</b>	<b>\$ 5,161,893</b>

Exhibit I-5

Henderson County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Discretely Presented Henderson County School Department  
For the Year Ended June 30, 2010

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

Net change in fund balances - total governmental funds (Exhibit I-4)		\$ 1,900,028
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 500,955	
Less: current year depreciation expense	<u>(1,173,846)</u>	(672,891)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Less: loss on disposal of capital assets	\$ (79,847)	
Less: proceeds from disposal of capital assets	<u>(73,200)</u>	(153,047)
(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, 2010	\$ 387,534	
Less: deferred delinquent property taxes and other deferred June 30, 2009	<u>(299,881)</u>	87,653
(4) The issuance of long-term debt (e.g., notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		
Add: principal payments on notes		26,667
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ 1,067	
Change in other postemployment benefits liability	<u>(74,915)</u>	(73,848)
Change in net assets of governmental activities (Exhibit B)		<u>\$ 1,114,562</u>

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

Exhibit I-6

Henderson County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Henderson County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 4,631,815	\$ 0	\$ 0	\$ 4,631,815	\$ 4,435,459	\$ 4,435,459	\$ 196,356
Licenses and Permits	2,292	0	0	2,292	2,100	2,100	192
Charges for Current Services	191,250	0	0	191,250	200,000	200,000	(8,750)
Other Local Revenues	122,146	0	0	122,146	7,900	92,933	29,213
State of Tennessee	17,996,587	0	0	17,996,587	16,858,843	18,093,089	(96,502)
Federal Government	237,273	0	0	237,273	1,245,796	1,307,901	(1,070,628)
<u>Total Revenues</u>	<u>\$ 23,181,363</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 23,181,363</u>	<u>\$ 22,750,098</u>	<u>\$ 24,131,482</u>	<u>\$ (950,119)</u>
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 11,200,712	(77,764)	47,489	\$ 11,170,437	\$ 11,851,397	\$ 11,989,492	\$ 819,055
Alternative Instruction Program	54,345	0	0	54,345	54,254	54,921	576
Special Education Program	1,822,032	0	0	1,822,032	1,809,162	1,825,906	3,874
Vocational Education Program	1,023,212	0	4,500	1,027,712	990,976	1,045,835	18,123
Adult Education Program	92,440	0	153	92,593	59,431	97,853	5,260
<u>Support Services</u>							
Attendance	76,750	0	0	76,750	75,238	77,433	683
Health Services	242,724	0	0	242,724	260,481	260,481	17,757
Other Student Support	556,157	(915)	0	555,242	636,937	636,937	81,695
Regular Instruction Program	895,653	0	0	895,653	882,000	921,820	26,167
Alternative Instruction Program	70,063	0	0	70,063	79,157	78,657	8,594
Special Education Program	240,355	0	7,232	247,587	285,424	269,654	22,067
Vocational Education Program	89,165	0	0	89,165	89,486	89,486	321
Adult Programs	76,509	0	0	76,509	77,962	77,963	1,454

(Continued)

Exhibit I-6

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Other Programs	\$ 126,806	\$ 0	\$ 0	\$ 126,806	\$ 0	\$ 126,806	\$ 0
Board of Education	512,730	(86)	0	512,644	414,039	555,784	43,140
Director of Schools	132,461	0	799	133,260	151,150	151,150	17,890
Office of the Principal	959,820	0	0	959,820	1,002,198	1,006,698	46,878
Fiscal Services	89,544	(137)	0	89,407	93,262	93,261	3,854
Operation of Plant	1,806,653	(9,177)	9,089	1,806,565	1,842,520	1,842,520	35,955
Maintenance of Plant	473,917	(10,369)	104,260	567,808	343,957	584,533	16,725
Transportation	46,542	0	0	46,542	25,683	46,542	0
Central and Other	200	0	0	200	7,460	807,460	807,260
<u>Operation of Non-Instructional Services</u>							
Food Service	89,688	0	0	89,688	1,244,369	1,251,370	1,161,682
Early Childhood Education	366,437	0	739	367,176	0	472,539	105,363
<u>Capital Outlay</u>							
Regular Capital Outlay	408,387	(126,699)	30,000	311,688	100,000	325,023	13,335
<u>Principal on Debt</u>							
Education	0	0	0	0	373,555	0	0
<u>Other Debt Service</u>							
Education	293,555	0	0	293,555	0	293,555	0
Total Expenditures	\$ 21,746,857	\$ (225,147)	\$ 204,261	\$ 21,725,971	\$ 22,750,098	\$ 24,983,679	\$ 3,257,708
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,434,506	\$ 225,147	\$ (204,261)	\$ 1,455,392	\$ 0	\$ (852,197)	\$ 2,307,589

(Continued)

Exhibit I-6

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 4,773	\$ 0	\$ 0	\$ 4,773	\$ 0	\$ 0	\$ 4,773
Transfers In	4,650	0	0	4,650	0	800,000	(795,350)
Total Other Financing Sources (Uses)	\$ 9,423	\$ 0	\$ 0	\$ 9,423	\$ 0	\$ 800,000	\$ (790,577)
Net Change in Fund Balance	\$ 1,443,929	\$ 225,147	\$ (204,261)	\$ 1,464,815	\$ 0	\$ (52,197)	\$ 1,517,012
Fund Balance, July 1, 2009	2,917,854	(225,147)	0	2,692,707	1,668,104	1,668,104	1,024,603
Fund Balance, June 30, 2010	\$ 4,361,783	\$ 0	\$ (204,261)	\$ 4,157,522	\$ 1,668,104	\$ 1,615,907	\$ 2,541,615

Exhibit I-7

Henderson County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Henderson County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
State of Tennessee	\$ 82,117	\$ 0	\$ 90,000	\$ (7,883)
Federal Government	3,142,355	2,912,812	4,233,672	(1,091,317)
Total Revenues	<u>\$ 3,224,472</u>	<u>\$ 2,912,812</u>	<u>\$ 4,323,672</u>	<u>\$ (1,099,200)</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,427,659	\$ 689,746	\$ 1,725,175	\$ 297,516
Special Education Program	873,049	1,249,758	1,227,691	354,642
Vocational Education Program	51,352	0	51,352	0
Adult Education Program	42,002	0	47,448	5,446
<u>Support Services</u>				
Health Services	82,116	0	90,000	7,884
Other Student Support	154,018	259,974	372,171	218,153
Regular Instruction Program	287,934	352,006	484,487	196,553
Special Education Program	47,876	46,455	47,876	0
Adult Programs	476	0	552	76
Transportation	218,957	313,180	321,263	102,306
Central and Other	0	0	800,000	800,000
Total Expenditures	<u>\$ 3,185,439</u>	<u>\$ 2,911,119</u>	<u>\$ 5,168,015</u>	<u>\$ 1,982,576</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 39,033</u>	<u>\$ 1,693</u>	<u>\$ (844,343)</u>	<u>\$ 883,376</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 0	\$ 800,000	\$ (800,000)
Transfers Out	(4,650)	(1,693)	(69,649)	64,999
Total Other Financing Sources (Uses)	<u>\$ (4,650)</u>	<u>\$ (1,693)</u>	<u>\$ 730,351</u>	<u>\$ (735,001)</u>
Net Change in Fund Balance	\$ 34,383	\$ 0	\$ (113,992)	\$ 148,375
Fund Balance, July 1, 2009	<u>113,995</u>	<u>0</u>	<u>0</u>	<u>113,995</u>
Fund Balance, June 30, 2010	<u>\$ 148,378</u>	<u>\$ 0</u>	<u>\$ (113,992)</u>	<u>\$ 262,370</u>

Exhibit I-8

Henderson County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Henderson County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 1,199,438	\$ 0	\$ 687,570	\$ 511,868
Other Local Revenues	1,301	0	1,255	46
Federal Government	1,147,030	0	1,147,030	0
Total Revenues	<u>\$ 2,347,769</u>	<u>\$ 0</u>	<u>\$ 1,835,855</u>	<u>\$ 511,914</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,834,027	\$ 0	\$ 1,835,855	\$ 1,828
Total Expenditures	<u>\$ 1,834,027</u>	<u>\$ 0</u>	<u>\$ 1,835,855</u>	<u>\$ 1,828</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 513,742</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 513,742</u>
Net Change in Fund Balance	\$ 513,742	\$ 0	\$ 0	\$ 513,742
Fund Balance, July 1, 2009	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30, 2010	<u><u>\$ 513,742</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 513,742</u></u>

Exhibit I-9

Henderson County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Henderson County School Department  
School Transportation Fund  
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 907,322	\$ 911,900	\$ 911,900	\$ (4,578)
Other Local Revenues	22,601	0	22,174	427
Total Revenues	<u>\$ 929,923</u>	<u>\$ 911,900</u>	<u>\$ 934,074</u>	<u>\$ (4,151)</u>
<u>Expenditures</u>				
<u>Support Services</u>				
Board of Education	\$ 17,918	\$ 25,000	\$ 25,000	\$ 7,082
Transportation	976,187	886,900	978,621	2,434
<u>Principal on Debt</u>				
Education	26,667	0	26,667	0
<u>Interest on Debt</u>				
Education	1,177	0	1,177	0
Total Expenditures	<u>\$ 1,021,949</u>	<u>\$ 911,900</u>	<u>\$ 1,031,465</u>	<u>\$ 9,516</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (92,026)</u>	<u>\$ 0</u>	<u>\$ (97,391)</u>	<u>\$ 5,365</u>
Net Change in Fund Balance	\$ (92,026)	\$ 0	\$ (97,391)	\$ 5,365
Fund Balance, July 1, 2009	<u>230,016</u>	<u>186,000</u>	<u>186,000</u>	<u>44,016</u>
Fund Balance, June 30, 2010	<u>\$ 137,990</u>	<u>\$ 186,000</u>	<u>\$ 88,609</u>	<u>\$ 49,381</u>

---

---

## MISCELLANEOUS SCHEDULES

---

---

Exhibit J-1

Henderson County, Tennessee  
 Schedule of Changes in Long-term Notes, Capital Leases, and Bonds  
 Primary Government and Discretely Presented Henderson County School Department  
 For the Year Ended June 30, 2010

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-09	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-10
<b>PRIMARY GOVERNMENT</b>									
<b>NOTES PAYABLE</b>									
Payable through General Fund									
Refunding Capital Outlay Note, Series 2005C	\$ 435,000	3.45 to 3.95 %	6-30-05	4-1-13	\$ 259,350	\$ 0	\$ 59,850	\$ 0	\$ 199,500
Total Payable through General Fund					\$ 259,350	\$ 0	\$ 59,850	\$ 0	\$ 199,500
Payable through General Debt Service Fund									
School Capital Outlay Note, Series 2002B	640,000	2.45 to 4.5	12-19-02	4-1-14	\$ 325,000	\$ 0	\$ 60,000	\$ 0	\$ 265,000
Capital Outlay Note, Series 2005A	800,000	3.45 to 4	6-30-05	4-1-17	625,000	0	65,000	0	560,000
Refunding Capital Outlay Note, Series 2005C	330,000	3.45 to 3.95	6-30-05	4-1-13	195,650	0	45,150	0	150,500
Capital Outlay Note, Series 2006A	150,000	4.25	8-30-06	8-30-09	50,000	0	50,000	0	0
Total Payable through General Debt Service Fund					\$ 1,195,650	\$ 0	\$ 220,150	\$ 0	\$ 975,500
Total Notes Payable					\$ 1,455,000	\$ 0	\$ 280,000	\$ 0	\$ 1,175,000
<b>CAPITAL LEASE</b>									
Payable through Highway/Public Works Fund									
Excavator	82,975	4.59	11-7-07	10-15-12	\$ 57,399	\$ 0	\$ 14,921	\$ 0	\$ 42,478
Total Capital Lease					\$ 57,399	\$ 0	\$ 14,921	\$ 0	\$ 42,478
<b>BONDS PAYABLE</b>									
Payable through General Debt Service Fund									
High School Bonds	3,000,000	4.7 to 5.375	2-1-00	4-1-11	\$ 150,000	\$ 0	\$ 50,000	\$ 0	\$ 100,000
High School Refunding Bonds, Series 2001	8,150,000	3.5 to 5	10-11-01	4-1-17	6,880,000	0	640,000	0	6,240,000
School Bonds, Series 2001	1,215,000	3.85 to 6	10-25-01	4-1-16	700,000	0	85,000	0	615,000
School Bonds, Series 2004	3,850,000	2 to 4.25	2-1-04	4-1-24	3,725,000	0	190,000	0	3,535,000
High School Refunding Bonds, Series 2004	2,840,000	2 to 3.875	4-1-04	4-1-20	2,695,000	0	30,000	0	2,665,000
G.O. Bonds, Series 2008	9,500,000	3.75 to 4.75	12-11-08	4-1-29	9,500,000	0	50,000	0	9,450,000
G.O. Bonds, Series 2009	5,400,000	1.75 to 4.15	11-10-09	6-30-29	0	5,400,000	25,000	0	5,375,000
Total Payable through General Debt Service Fund					\$ 23,650,000	\$ 5,400,000	\$ 1,070,000	\$ 0	\$ 27,980,000

(Continued)

Exhibit J-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-09	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-10
<u>PRIMARY GOVERNMENT (CONT.)</u>									
<u>BONDS PAYABLE (CONT.)</u>									
Payable through Rural Debt Service Fund									
Rural School Bonds, Series 1997A	\$ 4,775,000	3.9 to 5.1	%9-1-1997	11-10-09	\$ 2,775,000	0 \$	0 \$	2,775,000	\$ 0
Rural School Refunding Bonds, Series 2004	2,140,000	2 to 3.6	4-1-04	4-1-17	2,010,000	0	230,000	0	1,780,000
School Refunding Bonds, Series 2009	2,815,000	2 to 3	11-10-09	6-30-16	0	2,815,000	340,000	0	2,475,000
Total Payable through Rural Debt Service Fund					\$ 4,785,000	\$ 2,815,000	\$ 570,000	\$ 2,775,000	\$ 4,255,000
Total Bonds Payable					\$ 28,435,000	\$ 8,215,000	\$ 1,640,000	\$ 2,775,000	\$ 32,235,000

DISCRETELY PRESENTED HENDERSON  
 COUNTY SCHOOL DEPARTMENT

<u>NOTES PAYABLE</u>									
Payable through School Transportation Fund									
School CON, Series 2002B	40,000	4.8	8-30-07	7-30-09	\$ 26,667	0 \$	26,667 \$	0 \$	0
Total Notes Payable					\$ 26,667	0 \$	26,667 \$	0 \$	0

Exhibit J-2

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

Year Ending June 30	Notes		
	Principal	Interest	Total
2011	\$ 240,000	\$ 47,097	\$ 287,097
2012	260,000	37,767	297,767
2013	265,000	27,498	292,498
2014	150,000	16,750	166,750
2015	85,000	10,400	95,400
2016	85,000	7,000	92,000
2017	90,000	3,600	93,600
<b>Total</b>	<b>\$ 1,175,000</b>	<b>\$ 150,112</b>	<b>\$ 1,325,112</b>

Year Ending June 30	Capital Lease		
	Principal	Interest	Total
2011	\$ 17,009	\$ 1,595	\$ 18,604
2012	17,806	798	18,604
2013	7,663	88	7,751
<b>Total</b>	<b>\$ 42,478</b>	<b>\$ 2,481</b>	<b>\$ 44,959</b>

Year Ending June 30	Bonds		
	Principal	Interest	Total
2011	\$ 1,805,000	\$ 1,293,707	\$ 3,098,707
2012	1,920,000	1,233,551	3,153,551
2013	2,015,000	1,167,172	3,182,172
2014	2,160,000	1,094,771	3,254,771
2015	2,305,000	1,012,829	3,317,829
2016	2,225,000	921,907	3,146,907
2017	2,020,000	828,415	2,848,415
2018	1,565,000	739,779	2,304,779
2019	1,725,000	681,031	2,406,031
2020	1,725,000	615,582	2,340,582
2021	1,435,000	548,206	1,983,206
2022	1,600,000	489,463	2,089,463
2023	1,610,000	423,987	2,033,987
2024	1,625,000	355,401	1,980,401
2025	1,300,000	285,938	1,585,938
2026	1,300,000	230,050	1,530,050
2027	1,300,000	173,925	1,473,925
2028	1,300,000	116,532	1,416,532
2029	1,300,000	58,900	1,358,900
<b>Total</b>	<b>\$ 32,235,000</b>	<b>\$ 12,271,146</b>	<b>\$ 44,506,146</b>

Exhibit J-3

Henderson County, Tennessee  
Schedule of Transfers  
Discretely Presented Henderson County School Department  
For the Year Ended June 30, 2010

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>DISCRETELY PRESENTED HENDERSON</u>			
<u>COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ 4,650
Total Transfers Discretely Presented Henderson County School Department			\$ 4,650

Exhibit J-4

Henderson County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Primary Government and Discretely Presented Henderson County School Department  
For the Year Ended June 30, 2010

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 72,822 (1)	\$ 50,000	State Automobile Mutual Insurance Company
Road Supervisor	Section 8-24-102, <u>TCA</u>	67,927	100,000	Western Surety Company
Director of Schools	State Board of Education and County Board of Education	91,000 (2)	150,000	Tennessee Risk Management Trust
Trustee	Section 8-24-102, <u>TCA</u> , and County Commission	63,251 (1)	800,000	Auto-Owners Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	61,752	25,000	Western Surety Company
Director of Finance	County Commission	78,850 (3)	50,000	"
County Clerk	Section 8-24-102, <u>TCA</u> , and County Commission	63,251 (1)	50,000	State Automobile Mutual Insurance Company
Circuit Court Clerk	Section 8-24-102, <u>TCA</u> , and County Commission	67,927 (4)	100,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and County Commission	69,427 (1,4)	100,000	"
Register	Section 8-24-102, <u>TCA</u>	61,752	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	67,927 (5)	25,000	"
Employee Blanket Bonds:				
County Departments and Highway Department			150,000	Local Government Property and Casualty Fund
School Department			150,000	Tennessee Risk Management Trust

- (1) Includes a certified public administrator supplement of \$1,500.
- (2) Includes additional compensation of \$1,000 for career ladder program.
- (3) Includes additional compensation of \$15,600 for serving as bookkeeper for Circuit Court.
- (4) Includes additional compensation of \$6,175 for serving multiple courts.
- (5) Does not include a law enforcement training supplement of \$600.

Exhibit J-5

Henderson County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2010

	Special Revenue Funds					Debt Service Funds			Capital Projects Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service	General Capital Projects	Total
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 2,480,056	\$ 301,634	\$ 0	\$ 0	\$ 167,571	\$ 1,608,687	\$ 0	\$ 0	\$ 4,557,948
Trustee's Collections - Prior Year	105,580	12,843	0	0	7,135	68,724	0	0	194,282
Circuit/Clerk & Master Collections - Prior Years	25,995	3,162	0	0	1,756	16,862	0	0	47,775
Interest and Penalty	19,426	2,363	0	0	1,311	12,602	0	0	35,702
Payments in-Lieu-of Taxes - Local Utilities	37,406	4,549	0	0	2,527	24,263	0	0	68,745
<u>County Local Option Taxes</u>									
Local Option Sales Tax	84,832	0	0	0	0	0	552,915	0	637,747
Hotel/Motel Tax	90,026	0	0	0	0	0	0	0	90,026
Wheel Tax	0	0	0	0	0	863,181	0	0	863,181
Litigation Tax - General	171,790	0	0	0	0	0	0	0	171,790
Litigation Tax - Jail, Workhouse, or Courthouse	64,247	0	0	0	0	0	0	0	64,247
Business Tax	219,788	0	0	0	0	0	0	0	219,788
<u>Statutory Local Taxes</u>									
Bank Excise Tax	17,006	2,068	0	0	1,149	11,031	0	0	31,254
Wholesale Beer Tax	67,818	0	0	0	0	0	0	0	67,818
Interstate Telecommunications Tax	1,196	0	0	0	0	0	267	0	1,463
Total Local Taxes	\$ 3,385,166	\$ 326,619	\$ 0	\$ 0	\$ 181,449	\$ 2,605,350	\$ 553,182	\$ 0	\$ 7,051,766

Licenses and Permits

<u>Permits</u>									
Beer Permits	\$ 855	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 855
Total Licenses and Permits	\$ 855	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 855

Fines, Forfeitures, and Penalties

<u>Circuit Court</u>									
Fines	\$ 27,194	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 27,194
Officers Costs	669	0	0	0	0	0	0	0	669
Drug Control Fines	1,577	0	7,989	0	0	0	0	0	9,566
DUI Treatment Fines	190	0	0	0	0	0	0	0	190

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Funds			Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service	General Capital Projects		
<u>Fines, Forfeitures, and Penalties (Cont.)</u>										
<u>General Sessions Court</u>										
Fines	\$ 105,693	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 105,693	
Officers Costs	24,901	0	0	0	0	0	0	0	24,901	
Game and Fish Fines	403	0	0	0	0	0	0	0	403	
Drug Control Fines	9,438	0	6,733	0	0	0	0	0	16,171	
Drug Court Fees	9,610	0	0	0	0	0	0	0	9,610	
Jail Fees	21,914	0	0	0	0	0	0	0	21,914	
DUI Treatment Fines	8,360	0	0	0	0	0	0	0	8,360	
<u>Juvenile Court</u>										
Fines	2,674	0	0	0	0	0	0	0	2,674	
<u>Chancery Court</u>										
Officers Costs	374	0	0	0	0	0	0	0	374	
<u>Judicial District Drug Program</u>										
Drug Task Force Forfeitures and Seizures	0	0	59,776	0	0	0	0	0	59,776	
Courtroom Security Fee	8,889	0	0	0	0	0	0	0	8,889	
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 221,886</b>	<b>\$ 0</b>	<b>\$ 74,498</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 296,384</b>	
<u>Charges for Current Services</u>										
<u>General Service Charges</u>										
Work Release Charges for Board Fees	\$ 620	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 620	
Copy Fees	137	0	0	0	0	0	0	0	137	
Telephone Commissions	18,314	0	0	0	0	0	0	0	18,314	
Vending Machine Collections	1,348	0	0	0	0	0	0	0	1,348	
Constitutional Officers' Fees and Commissions	0	0	0	1,074,015	0	0	0	0	1,074,015	
Data Processing Fee - Register	8,930	0	0	0	0	0	0	0	8,930	
Data Processing Fee - Sheriff	12,258	0	0	0	0	0	0	0	12,258	
Sexual Offender Registration Fees - Sheriff	5,125	0	0	0	0	0	0	0	5,125	
<b>Total Charges for Current Services</b>	<b>\$ 46,732</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,074,015</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,120,747</b>	

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Funds			Capital Projects Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service	General Capital Projects	Total
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 144,627	\$ 0	\$ 0	\$ 0	\$ 0	\$ 68,570	\$ 13,260	\$ 39,410	\$ 265,867
Lease/Rentals	600	0	0	0	0	0	0	0	600
Sale of Materials and Supplies	1,337	0	0	0	15,943	0	0	0	17,280
Commissary Sales	1,151	0	0	0	0	0	0	0	1,151
Sale of Recycled Materials	0	34,040	0	0	0	0	0	0	34,040
Miscellaneous Refunds	23,319	0	787	0	5,457	264	0	0	29,827
<u>Nonrecurring Items</u>									
Sale of Equipment	6,675	0	0	0	0	0	0	0	6,675
Sale of Property	712	0	0	0	0	0	0	0	712
Damages Recovered from Individuals	1,376	0	0	0	0	0	0	0	1,376
Contributions and Gifts	10,000	0	0	0	0	0	0	0	10,000
<u>Other Local Revenues</u>	2,012	0	0	0	0	0	0	0	2,012
Total Other Local Revenues	\$ 191,809	\$ 34,040	\$ 787	\$ 0	\$ 21,400	\$ 68,834	\$ 13,260	\$ 39,410	\$ 369,540
<u>Fees Received from County Officials</u>									
<u>Excess Fees</u>									
County Clerk	\$ 28,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 28,000
Circuit Court Clerk	89,500	0	0	0	0	0	0	0	89,500
Clerk and Master	20,000	0	0	0	0	0	0	0	20,000
Trustee	111,998	0	0	0	0	0	0	0	111,998
<u>Fees in-Lieu-of Salary</u>									
Register	92,388	0	0	0	0	0	0	0	92,388
Sheriff	10,020	0	0	0	0	0	0	0	10,020
Total Fees Received from County Officials	\$ 351,906	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 351,906
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 9,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,500
State Reappraisal Grant	8,542	0	0	0	0	0	0	0	8,542

(Continued)

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

	Special Revenue Funds					Debt Service Funds			Capital Projects Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service	General Capital Projects	
<u>State of Tennessee (Cont.)</u>									
<u>Public Works Grants</u>									
Litter Program	\$ 23,399	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 23,399	
<u>Other State Revenues</u>									
Income Tax	56,950	0	0	0	0	0	0	56,950	
Beer Tax	17,778	0	0	0	0	0	0	17,778	
Alcoholic Beverage Tax	49,468	0	0	0	0	0	0	49,468	
Mixed Drink Tax	5,069	0	0	0	0	0	0	5,069	
Contracted Prisoner Boarding	110,309	0	0	0	0	0	0	110,309	
Gasoline and Motor Fuel Tax	0	0	0	0	1,728,896	0	0	1,728,896	
Petroleum Special Tax	0	0	0	0	20,497	0	0	20,497	
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	16,380	
Other State Grants	34,991	3,795	225	0	0	0	0	39,011	
Other State Revenues	138,605	0	0	0	0	0	0	138,605	
Total State of Tennessee	\$ 470,991	\$ 3,795	\$ 225	\$ 0	\$ 1,749,393	\$ 0	\$ 0	\$ 2,224,404	
<u>Federal Government</u>									
<u>Federal Through State</u>									
Civil Defense Reimbursement	\$ 79,314	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 79,314	
ARRA Grant No. 1	15,979	0	0	0	0	0	0	15,979	
Other Federal through State	2,000	0	0	0	0	0	0	2,000	
Total Federal Government	\$ 97,293	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 97,293	
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Contributions	\$ 22,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 293,555	\$ 0	\$ 315,555	
Contracted Services	138,000	0	0	0	0	0	0	138,000	
<u>Other</u>									
Other	194,018	0	0	0	0	0	0	194,018	
Total Other Governments and Citizens Groups	\$ 354,018	\$ 0	\$ 0	\$ 0	\$ 0	\$ 293,555	\$ 0	\$ 647,573	
Total	\$ 5,120,656	\$ 364,454	\$ 75,510	\$ 1,074,015	\$ 1,952,242	\$ 2,967,739	\$ 566,442	\$ 39,410 \$12,160,468	

Exhibit J-6

Henderson County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Henderson County School Department  
For the Year Ended June 30, 2010

	General Purpose School	School Federal Projects	Central Cafeteria	School Transpor- tation	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 1,800,420	\$ 0	\$ 0	\$ 837,857	\$ 2,638,277
Trustee's Collections - Prior Year	75,133	0	0	35,735	110,868
Circuit/Clerk & Master Collections - Prior Years	18,871	0	0	8,782	27,653
Interest and Penalty	14,103	0	0	6,566	20,669
Payments in-Lieu-of Taxes - T.V.A.	366	0	0	0	366
Payments in-Lieu-of Taxes - Local Utilities	26,929	0	0	12,637	39,566
<u>County Local Option Taxes</u>					
Local Option Sales Tax	2,341,250	0	0	0	2,341,250
Wheel Tax	340,844	0	0	0	340,844
<u>Statutory Local Taxes</u>					
Bank Excise Tax	12,147	0	0	5,745	17,892
Interstate Telecommunications Tax	1,752	0	0	0	1,752
<b>Total Local Taxes</b>	<b>\$ 4,631,815</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 907,322</b>	<b>\$ 5,539,137</b>
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 2,044	\$ 0	\$ 0	\$ 0	\$ 2,044
<u>Permits</u>					
Other Permits	248	0	0	0	248
<b>Total Licenses and Permits</b>	<b>\$ 2,292</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,292</b>
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Tuition - Regular Day Students	\$ 3,750	\$ 0	\$ 0	\$ 0	\$ 3,750
Contract for Instructional Services with Other LEAs	187,500	0	0	0	187,500
Receipts from Individual Schools	0	0	1,199,438	0	1,199,438
<b>Total Charges for Current Services</b>	<b>\$ 191,250</b>	<b>\$ 0</b>	<b>\$ 1,199,438</b>	<b>\$ 0</b>	<b>\$ 1,390,688</b>
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Lease/Rentals	\$ 6,738	\$ 0	\$ 0	\$ 0	\$ 6,738
Sale of Materials and Supplies	768	0	0	0	768
Refund of Telecommunication and Internet Fees (E-Rate)	37,014	0	0	0	37,014
Miscellaneous Refunds	34,460	0	1,301	22,601	58,362
<u>Nonrecurring Items</u>					
Damages Recovered from Individuals	5	0	0	0	5
Contributions and Gifts	42,135	0	0	0	42,135
<u>Other Local Revenues</u>					
Other Local Revenues	1,026	0	0	0	1,026
<b>Total Other Local Revenues</b>	<b>\$ 122,146</b>	<b>\$ 0</b>	<b>\$ 1,301</b>	<b>\$ 22,601</b>	<b>\$ 146,048</b>
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-Behalf Contributions for OPEB	\$ 126,806	\$ 0	\$ 0	\$ 0	\$ 126,806
<u>State Education Funds</u>					
Basic Education Program	15,861,613	0	0	0	15,861,613
Basic Education Program - ARRA	634,900	0	0	0	634,900
Early Childhood Education	367,175	0	0	0	367,175

(Continued)

Exhibit J-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	School Transpor- tation	Total
<u>State of Tennessee (Cont.)</u>					
<u>State Education Funds (Cont.)</u>					
School Food Service	\$ 20,096	\$ 0	\$ 0	\$ 0	\$ 20,096
Driver Education	5,616	0	0	0	5,616
Other State Education Funds	6,692	0	0	0	6,692
Coordinated School Health - ARRA	0	82,117	0	0	82,117
Internet Connectivity - ARRA	10,207	0	0	0	10,207
Statewide Student Management System (SSMS) - ARRA	8,817	0	0	0	8,817
Career Ladder Program	150,222	0	0	0	150,222
Career Ladder - Extended Contract - ARRA	1,141	0	0	0	1,141
<u>Other State Revenues</u>					
Mixed Drink Tax	4,010	0	0	0	4,010
State Revenue Sharing - T.V.A.	773,089	0	0	0	773,089
Other State Grants	7,103	0	0	0	7,103
Safe Schools - ARRA	19,100	0	0	0	19,100
Total State of Tennessee	\$ 17,996,587	\$ 82,117	\$ 0	\$ 0	\$ 18,078,704
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 809,660	\$ 0	\$ 809,660
Breakfast	0	0	337,370	0	337,370
Adult Education State Grant Program	148,254	42,479	0	0	190,733
Vocational Education - Basic Grants to States	0	64,934	0	0	64,934
Title I Grants to Local Education Agencies	0	1,825,090	0	0	1,825,090
Special Education - Grants to States	25,683	1,075,426	0	0	1,101,109
Special Education Preschool Grants	0	31,191	0	0	31,191
English Language Acquisition Grants	0	1,743	0	0	1,743
Safe and Drug-free Schools - State Grants	0	15,424	0	0	15,424
Eisenhower Professional Development State Grants	0	62,033	0	0	62,033
Other Federal through State	0	24,035	0	0	24,035
<u>Direct Federal Revenue</u>					
ROTC Reimbursement	63,336	0	0	0	63,336
Total Federal Government	\$ 237,273	\$ 3,142,355	\$ 1,147,030	\$ 0	\$ 4,526,658
Total	\$ 23,181,363	\$ 3,224,472	\$ 2,347,769	\$ 929,923	\$ 29,683,527

Exhibit J-7

Henderson County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2010

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	65,453	
Social Security		4,058	
Unemployment Compensation		42	
Employer Medicare		949	
Audit Services		<u>7,657</u>	
Total County Commission	\$		78,159

Board of Equalization

Board and Committee Members Fees	\$	<u>1,300</u>	
Total Board of Equalization			1,300

County Mayor/Executive

County Official/Administrative Officer	\$	71,322	
Secretary(ies)		20,919	
Educational Incentive - Official/Admin Officer		1,500	
Social Security		5,510	
State Retirement		6,108	
Medical Insurance		2,237	
Unemployment Compensation		185	
Employer Medicare		1,289	
Communication		4,843	
Postal Charges		379	
Office Supplies		818	
Other Charges		<u>312</u>	
Total County Mayor/Executive			115,422

County Attorney

Social Security	\$	372	
Unemployment Compensation		120	
Employer Medicare		87	
Legal Services		6,000	
Travel		<u>712</u>	
Total County Attorney			7,291

Election Commission

County Official/Administrative Officer	\$	55,573	
Clerical Personnel		19,848	
Part-time Personnel		4,890	
Election Commission		4,605	
Election Workers		5,980	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

In-Service Training	\$	4,359	
Social Security		5,219	
State Retirement		4,078	
Medical Insurance		381	
Unemployment Compensation		464	
Employer Medicare		1,220	
Communication		1,164	
Data Processing Services		2,487	
Dues and Memberships		175	
Legal Notices, Recording, and Court Costs		1,408	
Maintenance Agreements		527	
Maintenance and Repair Services - Office Equipment		2,715	
Postal Charges		1,792	
Printing, Stationery, and Forms		1,296	
Rentals		7,500	
Other Contracted Services		10,200	
Office Supplies		1,221	
Other Supplies and Materials		1,274	
Total Election Commission			\$ 138,376

Register of Deeds

County Official/Administrative Officer	\$	61,752	
Secretary(ies)		49,033	
Social Security		6,845	
State Retirement		8,035	
Unemployment Compensation		360	
Employer Medicare		1,601	
Communication		1,667	
Data Processing Services		5,614	
Dues and Memberships		15	
Maintenance Agreements		1,772	
Postal Charges		88	
Office Supplies		2,748	
Office Equipment		9,656	
Total Register of Deeds			149,186

County Buildings

Custodial Personnel	\$	20,361	
Social Security		1,262	
State Retirement		1,847	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Unemployment Compensation	\$	180	
Employer Medicare		295	
Licenses		100	
Maintenance and Repair Services - Buildings		11,919	
Maintenance and Repair Services - Equipment		370	
Maintenance and Repair Services - Vehicles		1,550	
Pest Control		900	
Custodial Supplies		4,229	
Electricity		52,173	
Gasoline		4,778	
Natural Gas		6,352	
Water and Sewer		4,196	
Building Improvements		1,799	
Total County Buildings			\$ 112,311

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	63,250	
Accountants/Bookkeepers		140,059	
Social Security		11,338	
State Retirement		18,494	
Medical Insurance		8,699	
Unemployment Compensation		876	
Employer Medicare		2,652	
Communication		5,367	
Data Processing Services		7,986	
Legal Notices, Recording, and Court Costs		457	
Maintenance Agreements		3,280	
Postal Charges		4,458	
Printing, Stationery, and Forms		8,752	
Rentals		15,600	
Travel		2,735	
Office Supplies		2,405	
Other Supplies and Materials		637	
Premiums on Corporate Surety Bonds		175	
Other Charges		988	
Office Equipment		418	
Total Accounting and Budgeting			298,626

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office

County Official/Administrative Officer	\$	61,752	
Clerical Personnel		48,735	
Part-time Personnel		10,349	
Social Security		6,954	
State Retirement		8,008	
Medical Insurance		4,509	
Unemployment Compensation		540	
Employer Medicare		1,626	
Communication		881	
Contracts with Private Agencies		9,855	
Data Processing Services		9,855	
Dues and Memberships		1,161	
Legal Notices, Recording, and Court Costs		44	
Maintenance Agreements		3,146	
Postal Charges		1,015	
Printing, Stationery, and Forms		720	
Travel		175	
Office Supplies		769	
Other Charges		186	
Office Equipment		1,803	
Total Property Assessor's Office			\$ 172,083

Reappraisal Program

Other Salaries and Wages	\$	27,501	
Social Security		1,672	
State Retirement		2,494	
Unemployment Compensation		180	
Employer Medicare		391	
Data Processing Services		2,984	
Maintenance and Repair Services - Vehicles		527	
Gasoline		746	
Total Reappraisal Program			36,495

County Trustee's Office

Communication	\$	2,197	
Data Processing Services		6,464	
Legal Notices, Recording, and Court Costs		134	
Maintenance Agreements		399	
Maintenance and Repair Services - Office Equipment		203	
Postal Charges		7,401	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Printing, Stationery, and Forms	\$	1,377	
Office Supplies		1,717	
Office Equipment		4,404	
Total County Trustee's Office			\$ 24,296

County Clerk's Office

Communication	\$	3,643	
Data Processing Services		13,793	
Legal Notices, Recording, and Court Costs		198	
Maintenance Agreements		3,483	
Postal Charges		5,621	
Office Supplies		2,426	
Total County Clerk's Office			29,164

Administration of Justice

Circuit Court

Other Salaries and Wages	\$	7,700	
Jury and Witness Fees		9,540	
Social Security		437	
State Retirement		698	
Medical Insurance		544	
Unemployment Compensation		38	
Employer Medicare		102	
Communication		3,455	
Dues and Memberships		521	
Legal Notices, Recording, and Court Costs		224	
Maintenance Agreements		4,616	
Maintenance and Repair Services - Office Equipment		145	
Postal Charges		3,476	
Office Supplies		8,900	
Office Equipment		23,360	
Total Circuit Court			63,756

General Sessions Court

Judge(s)	\$	110,975	
Secretary(ies)		24,694	
Social Security		8,152	
State Retirement		8,687	
Medical Insurance		1,745	
Unemployment Compensation		142	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

Employer Medicare	\$	1,938	
Communication		1,086	
Office Supplies		368	
Total General Sessions Court			\$ 157,787

Drug Court

Drugs and Medical Supplies	\$	1,500	
Total Drug Court			1,500

Chancery Court

Communication	\$	2,159	
Data Processing Services		5,234	
Dues and Memberships		521	
Legal Notices, Recording, and Court Costs		1,800	
Maintenance Agreements		1,338	
Postal Charges		2,372	
Office Supplies		5,983	
Office Equipment		545	
Total Chancery Court			19,952

Juvenile Court

Guidance Personnel	\$	31,804	
In-Service Training		185	
Social Security		1,853	
State Retirement		2,885	
Medical Insurance		2,273	
Unemployment Compensation		180	
Employer Medicare		433	
Communication		2,453	
Contracts with Other Public Agencies		2,391	
Travel		1,507	
Office Supplies		2,070	
Total Juvenile Court			48,034

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	67,927	
Deputy(ies)		701,915	
Salary Supplements		11,400	
Clerical Personnel		76,940	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Part-time Personnel	\$	8,068	
In-Service Training		8,765	
Social Security		54,130	
State Retirement		75,233	
Medical Insurance		8,808	
Unemployment Compensation		5,287	
Employer Medicare		12,659	
Communication		26,643	
Dues and Memberships		2,300	
Legal Notices, Recording, and Court Costs		437	
Maintenance Agreements		9,175	
Maintenance and Repair Services - Equipment		12,707	
Maintenance and Repair Services - Vehicles		17,867	
Postal Charges		2,571	
Travel		1,699	
Gasoline		79,104	
Office Supplies		5,262	
Tires and Tubes		4,341	
Uniforms		10,349	
Other Charges		1,265	
Motor Vehicles		36,735	
Office Equipment		15,415	
Total Sheriff's Department			\$ 1,257,002

Administration of the Sexual Offender Registry

Tuition	\$	374	
Office Supplies		148	
Other Charges		1,200	
Total Administration of the Sexual Offender Registry			1,722

Workhouse

Guards	\$	195,067	
Cafeteria Personnel		12,403	
Social Security		13,069	
State Retirement		15,444	
Medical Insurance		1,703	
Unemployment Compensation		2,398	
Employer Medicare		3,056	
Contracts with Government Agencies		10,680	
Maintenance Agreements		7,514	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Workhouse (Cont.)

Maintenance and Repair Services - Buildings	\$	9,328	
Maintenance and Repair Services - Equipment		951	
Medical and Dental Services		133,755	
Pest Control		480	
Custodial Supplies		12,063	
Electricity		26,969	
Food Supplies		78,632	
Natural Gas		7,428	
Water and Sewer		14,626	
Total Workhouse			\$ 545,566

Fire Prevention and Control

County Official/Administrative Officer	\$	54,580	
Assistant(s)		6,285	
Part-time Personnel		6,435	
In-Service Training		3,298	
Social Security		4,028	
State Retirement		4,950	
Medical Insurance		2,273	
Unemployment Compensation		434	
Employer Medicare		942	
Communication		3,184	
Dues and Memberships		370	
Legal Notices, Recording, and Court Costs		236	
Maintenance and Repair Services - Buildings		618	
Maintenance and Repair Services - Equipment		13,448	
Maintenance and Repair Services - Vehicles		15,418	
Postal Charges		615	
Drugs and Medical Supplies		576	
Gasoline		9,583	
Instructional Supplies and Materials		604	
Office Supplies		1,051	
Uniforms		498	
Utilities		1,418	
Other Supplies and Materials		892	
Trustee's Commission		425	
Other Equipment		94,090	
Total Fire Prevention and Control			226,251

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense

Other Salaries and Wages	\$	20,213	
In-Service Training		194	
Social Security		1,253	
Unemployment Compensation		180	
Employer Medicare		293	
Communication		1,550	
Maintenance and Repair Services - Vehicles		182	
Other Contracted Services		300	
Gasoline		877	
Office Supplies		1,041	
Office Equipment		110	
Total Civil Defense			\$ 26,193

Rescue Squad

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

Disaster Relief

Part-time Personnel	\$	150	
Social Security		9	
Unemployment Compensation		3	
Employer Medicare		2	
Total Disaster Relief			164

Other Emergency Management

Supervisor/Director	\$	6,500	
Social Security		307	
State Retirement		590	
Medical Insurance		873	
Unemployment Compensation		65	
Employer Medicare		72	
Other Charges		1,200	
Total Other Emergency Management			9,607

County Coroner/Medical Examiner

Other Per Diem and Fees	\$	28,027	
Ambulance Services		400	
Total County Coroner/Medical Examiner			28,427

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Other Public Safety

County Official/Administrative Officer	\$	37,203	
Dispatchers/Radio Operators		194,225	
Clerical Personnel		31,501	
Temporary Personnel		25,025	
Part-time Personnel		21,398	
In-Service Training		3,181	
Social Security		18,887	
State Retirement		25,177	
Medical Insurance		21,290	
Unemployment Compensation		2,198	
Employer Medicare		4,417	
Maintenance Agreements		3,450	
Total Other Public Safety			\$ 387,952

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	5,400	
Other Salaries and Wages		78,300	
Social Security		4,820	
State Retirement		6,005	
Unemployment Compensation		866	
Employer Medicare		1,127	
Communication		5,897	
Legal Notices, Recording, and Court Costs		132	
Maintenance and Repair Services - Buildings		6,505	
Maintenance and Repair Services - Equipment		120	
Postal Charges		256	
Travel		6,323	
Other Contracted Services		1,952	
Custodial Supplies		492	
Drugs and Medical Supplies		1,974	
Office Supplies		1,720	
Utilities		14,049	
Other Supplies and Materials		3,994	
Office Equipment		117	
Total Local Health Center			140,049

Other Local Health Services

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

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Regional Mental Health Center

Contracts with Government Agencies	\$ 8,946	
Total Regional Mental Health Center		\$ 8,946

Appropriation to State

Contracts with Government Agencies	\$ 12,300	
Total Appropriation to State		12,300

Waste Pickup

Supervisor/Director	\$ 12,800	
Part-time Personnel	13,440	
Social Security	1,508	
Unemployment Compensation	404	
Employer Medicare	352	
Advertising	162	
Communication	570	
Maintenance and Repair Services - Vehicles	551	
Printing, Stationery, and Forms	128	
Gasoline	2,723	
Instructional Supplies and Materials	188	
Tires and Tubes	250	
Other Charges	999	
Total Waste Pickup		34,075

Social, Cultural, and Recreational Services

Adult Activities

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

Senior Citizens Assistance

Contributions	\$ 10,000	
Total Senior Citizens Assistance		10,000

Libraries

Contributions	\$ 36,000	
Utilities	5,462	
Building and Contents Insurance	3,106	
Total Libraries		44,568

Other Social, Cultural, and Recreational

Contributions	\$ 16,560	
Total Other Social, Cultural, and Recreational		16,560

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Agriculture and Natural Resources

Agriculture Extension Service

Assistant(s)	\$	24,311	
Supervisor/Director		15,602	
Secretary(ies)		7,056	
Other Salaries and Wages		6,569	
Communication		5,010	
Maintenance Agreements		3,624	
Postal Charges		176	
Travel		132	
Custodial Supplies		54	
Utilities		3,514	
Total Agriculture Extension Service			\$ 66,048

Soil Conservation

Secretary(ies)	\$	13,260	
Social Security		822	
Unemployment Compensation		192	
Employer Medicare		192	
Office Supplies		104	
Total Soil Conservation			14,570

Flood Control

Other Contracted Services	\$	1,500	
Total Flood Control			1,500

Other Operations

Tourism

Contributions	\$	7,000	
Total Tourism			7,000

Industrial Development

Contributions	\$	7,000	
Other Charges		8,389	
Total Industrial Development			15,389

Veterans' Services

Supervisor/Director	\$	10,415	
Secretary(ies)		19,870	
In-Service Training		677	
Social Security		1,472	
State Retirement		2,747	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services (Cont.)

Medical Insurance	\$	3,669	
Unemployment Compensation		284	
Employer Medicare		344	
Communication		1,043	
Postal Charges		60	
Office Supplies		444	
Total Veterans' Services	\$		41,025

Other Charges

Building and Contents Insurance	\$	32,935	
Liability Insurance		65,401	
Vehicle and Equipment Insurance		73,631	
Workers' Compensation Insurance		34,700	
Total Other Charges			206,667

Employee Benefits

Social Security	\$	7,990	
Medical Insurance		2,659	
Unemployment Compensation		3,809	
Total Employee Benefits			14,458

Payments to Cities

Rentals	\$	20,232	
Total Payments to Cities			20,232

ARRA Grant No. 1

Guards	\$	15,664	
Social Security		971	
State Retirement		21	
Unemployment Compensation		205	
Employer Medicare		227	
Total ARRA Grant No. 1			17,088

Miscellaneous

Contracts with Other School Systems	\$	4,889	
Dues and Memberships		7,623	
Legal Notices, Recording, and Court Costs		112	
Maintenance Agreements		4,481	
Road Signs		3,335	
Premiums on Corporate Surety Bonds		903	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous (Cont.)

Trustee's Commission	\$ 64,457	
Other Charges	296	
Airport Improvement	38,500	
Total Miscellaneous		\$ 124,596

Principal on Debt

General Government

Principal on Notes	\$ 59,850	
Total General Government		59,850

Interest on Debt

General Government

Interest on Notes	\$ 9,932	
Total General Government		9,932

Total General Fund \$ 4,821,282

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Education/Information

Supervisor/Director	\$ 19,954	
Part-time Personnel	130,459	
Social Security	6,920	
State Retirement	5,152	
Medical Insurance	2,273	
Unemployment Compensation	2,072	
Employer Medicare	2,181	
Communication	6,066	
Contracts with Private Agencies	174,992	
Legal Notices, Recording, and Court Costs	359	
Maintenance Agreements	399	
Maintenance and Repair Services - Buildings	938	
Maintenance and Repair Services - Equipment	6,918	
Maintenance and Repair Services - Vehicles	2,803	
Gasoline	2,609	
Tires and Tubes	7,438	
Utilities	9,005	
Trustee's Commission	6,448	
Landfill Closure/Postclosure Care Costs	2,964	
Other Charges	2,272	
Total Sanitation Education/Information		\$ 392,222

Total Solid Waste/Sanitation Fund 392,222

(Continued)

Exhibit J-7

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

Drug Control Fund

Public Safety

Drug Enforcement

Other Salaries and Wages	\$	39,807	
In-Service Training		805	
Confidential Drug Enforcement Payments		5,000	
Dues and Memberships		45	
Maintenance and Repair Services - Equipment		5,191	
Maintenance and Repair Services - Vehicles		1,467	
Tow-in Services		3,370	
Animal Food and Supplies		1,829	
Gasoline		40	
Office Supplies		330	
Uniforms		84	
Trustee's Commission		151	
Other Charges		5,215	
Motor Vehicles		15,100	
Total Drug Enforcement			\$ 78,434

Total Drug Control Fund \$ 78,434

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	205,414	
Total County Trustee's Office			\$ 205,414

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	207,887	
Total County Clerk's Office			207,887

Administration of Justice

Circuit Court Clerk

Constitutional Officers' Operating Expenses	\$	321,056	
Total Circuit Court Clerk			321,056

Chancery Court

Constitutional Officers' Operating Expenses	\$	231,441	
Total Chancery Court			231,441

Total Constitutional Officers - Fees Fund 965,798

(Continued)

Exhibit J-7

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	67,927	
Secretary(ies)		21,278	
Overtime Pay		468	
Social Security		6,531	
State Retirement		5,919	
Medical Insurance		4,543	
Unemployment Compensation		270	
Employer Medicare		312	
Dues and Memberships		2,808	
Legal Notices, Recording, and Court Costs		591	
Office Supplies		1,029	
Other Charges		823	
Total Administration			\$ 112,499

Highway and Bridge Maintenance

Foremen	\$	38,495	
Equipment Operators		193,653	
Truck Drivers		120,018	
Laborers		83,234	
Overtime Pay		4,689	
Social Security		27,025	
State Retirement		36,315	
Medical Insurance		99,616	
Unemployment Compensation		6,163	
Employer Medicare		6,320	
Medical and Dental Services		1,396	
Asphalt - Cold Mix		27,429	
Asphalt - Liquid		363,970	
Crushed Stone		131,147	
Pipe		73,906	
Road Signs		374	
Wood Products		45,849	
Total Highway and Bridge Maintenance			1,259,599

Operation and Maintenance of Equipment

Foremen	\$	31,907	
Mechanic(s)		26,729	
Overtime Pay		562	
Social Security		3,670	
Medical Insurance		8,387	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Unemployment Compensation	\$	540	
Employer Medicare		858	
Laundry Service		4,194	
Maintenance and Repair Services - Equipment		2,744	
Diesel Fuel		110,967	
Equipment and Machinery Parts		107,709	
Gasoline		19,669	
Lubricants		8,905	
Tires and Tubes		35,766	
Total Operation and Maintenance of Equipment	\$		362,607

Other Charges

Communication	\$	3,917	
Maintenance and Repair Services - Buildings		716	
Electricity		6,410	
Natural Gas		4,049	
Water and Sewer		1,089	
Liability Insurance		36,623	
Trustee's Commission		20,999	
Workers' Compensation Insurance		38,255	
Total Other Charges			112,058

Employee Benefits

Employee and Dependent Insurance	\$	5,750	
Total Employee Benefits			5,750

Capital Outlay

Bridge Construction	\$	18,485	
Highway Equipment		29,300	
Total Capital Outlay			47,785

Principal on Debt

Highways and Streets

Principal on Capital Leases	\$	14,921	
Total Highways and Streets			14,921

Interest on Debt

Highways and Streets

Interest on Capital Leases	\$	2,133	
Total Highways and Streets			2,133

Total Highway/Public Works Fund \$ 1,917,352

(Continued)

Exhibit J-7

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

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 75,000	
Principal on Notes	50,040	
Total General Government		\$ 125,040

Education

Principal on Bonds	\$ 995,000	
Principal on Notes	170,110	
Total Education		1,165,110

Interest on Debt

General Government

Interest on Bonds	\$ 626,221	
Interest on Notes	2,085	
Total General Government		628,306

Education

Interest on Bonds	\$ 599,775	
Interest on Notes	46,121	
Total Education		645,896

Other Debt Service

General Government

Fiscal Agent Charges	\$ 2,069	
Trustee's Commission	43,627	
Other Charges	38	
Total General Government		45,734

Education

Fiscal Agent Charges	\$ 350	
Total Education		350

Total General Debt Service Fund \$ 2,610,436

Rural Debt Service Fund

Principal on Debt

Education

Principal on Bonds	\$ 570,000	
Total Education		\$ 570,000

(Continued)

Exhibit J-7

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

Rural Debt Service Fund (Cont.)

Interest on Debt

Education

Interest on Bonds	\$ 159,583	
Total Education		\$ 159,583

Other Debt Service

Education

Fiscal Agent Charges	\$ 701	
Trustee's Commission	5,594	
Underwriter's Discount	15,323	
Other Debt Issuance Charges	52,048	
Total Education		<u>73,666</u>

Total Rural Debt Service Fund		\$ 803,249
-------------------------------	--	------------

General Capital Projects Fund

Capital Projects

Administration of Justice Projects

Trustee's Commission	\$ 436	
Underwriter's Discount	79,775	
Other Debt Issuance Charges	51,669	
Building Construction	8,942,056	
Total Administration of Justice Projects		<u>\$ 9,073,936</u>

Total General Capital Projects Fund		<u>9,073,936</u>
-------------------------------------	--	------------------

Total Governmental Funds - Primary Government		<u>\$ 20,662,709</u>
---	--	----------------------

Exhibit J-8

Henderson County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Henderson County School Department  
For the Year Ended June 30, 2010

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 7,602,663	
Career Ladder Program	89,575	
Career Ladder Extended Contracts	44,092	
Homebound Teachers	13,324	
Clerical Personnel	286,208	
Educational Assistants	164,354	
Other Salaries and Wages	126,191	
Non-certified Substitute Teachers	117,396	
Social Security	487,350	
State Retirement	535,018	
Medical Insurance	766,037	
Employer Medicare	115,021	
Tuition	50,145	
Instructional Supplies and Materials	146,229	
Textbooks	232,335	
Other Supplies and Materials	29,446	
Other Charges	36,688	
Regular Instruction Equipment	358,640	
Total Regular Instruction Program		\$ 11,200,712

Alternative Instruction Program

Educational Assistants	\$ 29,458	
Social Security	1,597	
State Retirement	2,672	
Medical Insurance	2,741	
Employer Medicare	374	
Instructional Supplies and Materials	7,947	
Other Equipment	9,556	
Total Alternative Instruction Program		54,345

Special Education Program

Teachers	\$ 1,168,275
Career Ladder Program	13,000
Career Ladder Extended Contracts	2,555
Homebound Teachers	1,919
Educational Assistants	213,342
Certified Substitute Teachers	605
Non-certified Substitute Teachers	25,878
Social Security	77,421

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

State Retirement	\$	90,022	
Medical Insurance		135,522	
Employer Medicare		18,720	
Contracts with Private Agencies		41,223	
Maintenance and Repair Services - Equipment		938	
Instructional Supplies and Materials		27,662	
Special Education Equipment		4,950	
Total Special Education Program			\$ 1,822,032

Vocational Education Program

Teachers	\$	719,810	
Career Ladder Program		15,000	
Career Ladder Extended Contracts		2,500	
Non-certified Substitute Teachers		20,110	
Social Security		42,441	
State Retirement		46,991	
Medical Insurance		60,517	
Employer Medicare		9,926	
Instructional Supplies and Materials		25,000	
Other Supplies and Materials		39,986	
Vocational Instruction Equipment		40,931	
Total Vocational Education Program			1,023,212

Adult Education Program

Teachers	\$	38,141	
Other Salaries and Wages		18,776	
Social Security		1,900	
State Retirement		1,876	
Employer Medicare		779	
Instructional Supplies and Materials		2,653	
Other Supplies and Materials		23,377	
Other Charges		2,000	
Other Equipment		2,938	
Total Adult Education Program			92,440

Support Services

Attendance

Supervisor/Director	\$	57,942	
Career Ladder Program		1,000	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

Social Security	\$	3,333	
State Retirement		3,784	
Medical Insurance		7,869	
Employer Medicare		780	
Travel		2,042	
Total Attendance			\$ 76,750

Health Services

Medical Personnel	\$	193,443	
Social Security		11,303	
State Retirement		15,678	
Medical Insurance		9,622	
Employer Medicare		2,643	
Travel		1,336	
Other Supplies and Materials		6,711	
In Service/Staff Development		1,988	
Total Health Services			242,724

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		317,581	
Other Salaries and Wages		73,050	
Social Security		21,403	
State Retirement		23,701	
Medical Insurance		32,759	
Employer Medicare		5,331	
Evaluation and Testing		23,335	
Maintenance and Repair Services - Equipment		299	
Travel		10,102	
Other Supplies and Materials		1,036	
Other Charges		20,644	
Other Equipment		25,916	
Total Other Student Support			556,157

Regular Instruction Program

Supervisor/Director	\$	126,389
Career Ladder Program		10,000
Career Ladder Extended Contracts		2,646
Librarians		391,017

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Instructional Computer Personnel	\$	60,942	
Other Salaries and Wages		24,529	
Social Security		34,440	
State Retirement		40,166	
Medical Insurance		68,936	
Employer Medicare		8,054	
Travel		14,377	
Library Books/Media		44,671	
Other Supplies and Materials		1,356	
In Service/Staff Development		39,216	
Other Charges		27,838	
Other Equipment		1,076	
Total Regular Instruction Program			\$ 895,653

Alternative Instruction Program

Supervisor/Director	\$	59,438	
Career Ladder Program		500	
Social Security		3,657	
State Retirement		3,848	
Medical Insurance		1,685	
Employer Medicare		855	
Other Supplies and Materials		80	
Total Alternative Instruction Program			70,063

Special Education Program

Supervisor/Director	\$	66,187	
Career Ladder Program		1,150	
Assessment Personnel		43,521	
Other Salaries and Wages		20,598	
Social Security		7,263	
State Retirement		7,108	
Medical Insurance		17,222	
Employer Medicare		1,701	
Travel		10,340	
Other Supplies and Materials		18,695	
In Service/Staff Development		13,329	
Other Charges		6,948	
Other Equipment		26,293	
Total Special Education Program			240,355

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program

Supervisor/Director	\$	62,041	
Career Ladder Program		2,000	
Career Ladder Extended Contracts		2,000	
Social Security		3,948	
State Retirement		4,240	
Medical Insurance		3,591	
Employer Medicare		923	
Travel		5,667	
Other Supplies and Materials		969	
Other Charges		3,786	
Total Vocational Education Program			\$ 89,165

Adult Programs

Supervisor/Director	\$	57,906	
Social Security		3,263	
State Retirement		3,718	
Medical Insurance		7,879	
Employer Medicare		763	
Travel		896	
In Service/Staff Development		2,084	
Total Adult Programs			76,509

Other Programs

On-Behalf Payments to OPEB	\$	126,806	
Total Other Programs			126,806

Board of Education

Board and Committee Members Fees	\$	28,298	
Social Security		1,201	
State Retirement		13	
Medical Insurance		8,358	
Unemployment Compensation		72,365	
Employer Medicare		281	
Audit Services		19,000	
Dues and Memberships		10,184	
Legal Services		71,134	
Travel		3,052	
Trustee's Commission		111,527	
Workers' Compensation Insurance		154,009	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

In Service/Staff Development	\$	1,170	
Criminal Investigation of Applicants - TBI		49	
Other Charges		32,089	
Total Board of Education			\$ 512,730

Director of Schools

County Official/Administrative Officer	\$	90,000	
Career Ladder Program		1,000	
Social Security		5,263	
State Retirement		5,842	
Medical Insurance		6,927	
Employer Medicare		1,231	
Communication		13,608	
Dues and Memberships		2,635	
Postal Charges		2,593	
Travel		3,362	
Total Director of Schools			132,461

Office of the Principal

Principals	\$	571,021	
Supervisor/Director		1,500	
Career Ladder Program		9,500	
Career Ladder Extended Contracts		5,077	
Assistant Principals		155,291	
Social Security		43,464	
State Retirement		47,661	
Medical Insurance		56,521	
Employer Medicare		10,165	
Communication		45,581	
Other Contracted Services		8,817	
Other Supplies and Materials		204	
In Service/Staff Development		5,018	
Total Office of the Principal			959,820

Fiscal Services

Clerical Personnel	\$	48,687	
Social Security		2,590	
State Retirement		4,416	
Medical Insurance		6,364	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

Employer Medicare	\$	606	
Office Supplies		4,116	
Other Charges		<u>22,765</u>	
Total Fiscal Services	\$		89,544

Operation of Plant

Custodial Personnel	\$	378,764	
Social Security		21,392	
State Retirement		26,623	
Medical Insurance		23,510	
Employer Medicare		5,137	
Janitorial Services		68,228	
Disposal Fees		17,380	
Other Contracted Services		38,900	
Custodial Supplies		66,699	
Electricity		697,052	
Natural Gas		196,087	
Water and Sewer		68,583	
Building and Contents Insurance		197,798	
Other Charges		<u>500</u>	
Total Operation of Plant			1,806,653

Maintenance of Plant

Supervisor/Director	\$	28,105	
Maintenance Personnel		95,482	
Social Security		6,602	
State Retirement		11,209	
Medical Insurance		16,711	
Employer Medicare		1,544	
Maintenance and Repair Services - Buildings		190,302	
Maintenance and Repair Services - Equipment		18,899	
Maintenance and Repair Services - Vehicles		5,598	
Travel		91	
Other Contracted Services		12,215	
Other Supplies and Materials		48,123	
Other Charges		13,091	
Maintenance Equipment		<u>25,945</u>	
Total Maintenance of Plant			473,917

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation

Bus Drivers	\$	33,693	
Social Security		6,090	
State Retirement		1,888	
Employer Medicare		489	
Maintenance and Repair Services - Vehicles		4,382	
Total Transportation			\$ 46,542

Central and Other

Operating Lease Payments	\$	200	
Total Central and Other			200

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	27,660	
Clerical Personnel		9,539	
Cafeteria Personnel		49	
In-Service Training		3,793	
Social Security		2,062	
State Retirement		3,374	
Medical Insurance		3,695	
Employer Medicare		482	
Contributions		22,000	
Travel		3,745	
Food Service Equipment		13,289	
Total Food Service			89,688

Early Childhood Education

Teachers	\$	183,307	
Educational Assistants		74,451	
Social Security		15,063	
State Retirement		18,521	
Medical Insurance		18,387	
Employer Medicare		3,523	
Other Contracted Services		232	
Food Supplies		3,812	
Instructional Supplies and Materials		31,966	
Other Supplies and Materials		15,420	
In Service/Staff Development		1,755	
Total Early Childhood Education			366,437

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	183,364	
Land		<u>225,023</u>	
Total Regular Capital Outlay			\$ 408,387

Other Debt Service

Education

Contributions	\$	<u>293,555</u>	
Total Education			<u>293,555</u>

Total General Purpose School Fund \$ 21,746,857

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	265,960	
Educational Assistants		225,675	
Other Salaries and Wages		35,011	
Certified Substitute Teachers		5,119	
Social Security		28,373	
State Retirement		31,391	
Medical Insurance		15,378	
Employer Medicare		7,019	
Other Contracted Services		52,607	
Instructional Supplies and Materials		86,197	
Textbooks		35,687	
Other Charges		50,144	
Regular Instruction Equipment		<u>589,098</u>	
Total Regular Instruction Program			\$ 1,427,659

Special Education Program

Teachers	\$	248,171	
Homebound Teachers		191	
Clerical Personnel		16,315	
Educational Assistants		331,060	
Social Security		35,390	
State Retirement		47,667	
Medical Insurance		34,962	
Employer Medicare		8,281	
Contracts with Private Agencies		59,522	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Instructional Supplies and Materials	\$	41,162	
Other Supplies and Materials		8,133	
Other Charges		2,733	
Special Education Equipment		39,462	
Total Special Education Program			\$ 873,049

Vocational Education Program

Other Supplies and Materials	\$	48,566	
Vocational Instruction Equipment		2,786	
Total Vocational Education Program			51,352

Adult Education Program

Teachers	\$	27,158	
Social Security		1,201	
State Retirement		1,644	
Employer Medicare		394	
Communication		888	
Evaluation and Testing		1,659	
Postal Charges		240	
Instructional Supplies and Materials		7,818	
Other Supplies and Materials		1,000	
Total Adult Education Program			42,002

Support Services

Health Services

Other Salaries and Wages	\$	38,941	
Social Security		2,234	
State Retirement		2,729	
Medical Insurance		2,313	
Employer Medicare		522	
Communication		1,265	
Travel		3,821	
Instructional Supplies and Materials		25,831	
Other Charges		4,460	
Total Health Services			82,116

Other Student Support

Evaluation and Testing	\$	28,946	
Travel		9,781	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Other Supplies and Materials	\$	30,225	
In Service/Staff Development		42,236	
Other Charges		1,758	
Other Equipment		41,072	
Total Other Student Support			\$ 154,018

Regular Instruction Program

Supervisor/Director	\$	65,334	
Clerical Personnel		16,815	
In-Service Training		6,791	
Social Security		4,814	
State Retirement		5,720	
Medical Insurance		3,591	
Employer Medicare		1,126	
Travel		1,762	
Other Supplies and Materials		68	
In Service/Staff Development		72,368	
Other Charges		109,545	
Total Regular Instruction Program			287,934

Special Education Program

Secretary(ies)	\$	20,373	
Social Security		1,263	
Employer Medicare		295	
Travel		25,945	
Total Special Education Program			47,876

Adult Programs

Travel	\$	476	
Total Adult Programs			476

Transportation

Bus Drivers	\$	112,341	
Social Security		6,766	
Employer Medicare		1,582	
Maintenance and Repair Services - Vehicles		6,250	
Other Contracted Services		1,647	
Diesel Fuel		25,186	
Other Supplies and Materials		432	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Transportation Equipment	\$ 64,753	
Total Transportation		\$ 218,957

Total School Federal Projects Fund \$ 3,185,439

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$ 714,358	
In-Service Training	856	
Social Security	41,302	
State Retirement	53,957	
Medical Insurance	40,952	
Employer Medicare	9,665	
Communication	7,062	
Travel	2,163	
Food Supplies	877,209	
Office Supplies	1,414	
Other Supplies and Materials	79,515	
Other Charges	734	
Food Service Equipment	4,840	
Total Food Service		\$ 1,834,027

Total Central Cafeteria Fund 1,834,027

School Transportation Fund

Support Services

Board of Education

Trustee's Commission	\$ 17,918	
Total Board of Education		\$ 17,918

Transportation

Supervisor/Director	\$ 22,000	
Bus Drivers	12,682	
Social Security	2,150	
State Retirement	3,120	
Employer Medicare	503	
Communication	700	
Contracts with Vehicle Owners	913,602	

(Continued)

Exhibit J-8

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

School Transportation Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Maintenance and Repair Services - Vehicles	\$	4,306	
Travel		486	
Other Contracted Services		4,675	
Diesel Fuel		5,846	
Tires and Tubes		1,928	
Other Charges		4,189	
Total Transportation			\$ 976,187

Principal on Debt

Education

Principal on Notes	\$	26,667	
Total Education			26,667

Interest on Debt

Education

Interest on Notes	\$	1,177	
Total Education			1,177

Total School Transportation Fund \$ 1,021,949

Total Governmental Funds - Henderson County School Department \$ 27,788,272

Exhibit J-9

Henderson County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balances - City Agency Funds  
For the Year Ended June 30, 2010

	Cities - Sales Tax Fund	City School ADA - Lexington Fund	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 478,549	\$ 478,549
Trustee's Collections - Prior Year	0	20,119	20,119
Circuit/Clerk and Master Collections - Prior Years	0	4,362	4,362
Interest and Penalty	0	3,734	3,734
Payments in-Lieu-of Taxes - Local Utilities	0	7,465	7,465
Local Option Sales Tax	2,784,199	745,989	3,530,188
Wheel Tax	0	89,946	89,946
Bank Excise Tax	0	3,480	3,480
Interstate Telecommunications Tax	0	442	442
Marriage Licenses	0	540	540
Other Permits	0	62	62
Mixed Drink Tax	0	1,068	1,068
Total Cash Receipts	<u>\$ 2,784,199</u>	<u>\$ 1,355,756</u>	<u>\$ 4,139,955</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 2,756,357	\$ 1,336,113	\$ 4,092,470
Trustee's Commission	27,842	19,582	47,424
Total Cash Disbursements	<u>\$ 2,784,199</u>	<u>\$ 1,355,695</u>	<u>\$ 4,139,894</u>
Excess of Cash Receipts			
Over (Under) Cash Disbursements	\$ 0	\$ 61	\$ 61
Cash Balance, July 1, 2009	0	87,879	87,879
Cash Balance, June 30, 2010	<u>\$ 0</u>	<u>\$ 87,940</u>	<u>\$ 87,940</u>

---

---

## **SINGLE AUDIT SECTION**

---

---



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

October 14, 2010

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henderson County, Tennessee, as of and for the year ended June 30, 2010, which collectively comprise Henderson County's basic financial statements and have issued our report thereon dated October 14, 2010. Our report includes 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 discretely presented Henderson County Emergency Communications District as described in our report on Henderson County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses: 10.01, 10.02, and 10.10.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 10.05, 10.06, 10.09, and 10.11.

#### Compliance and Other Matters

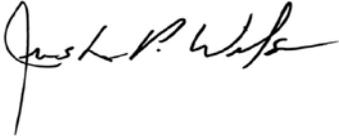
As part of obtaining reasonable assurance about whether Henderson County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 10.03, 10.04, 10.07, and 10.08.

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

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

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

Very truly yours,

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

Justin P. Wilson  
Comptroller of the Treasury

JPW/sb



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

October 14, 2010

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Henderson County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Henderson County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Henderson County's management. Our responsibility is to express an opinion on Henderson County's compliance based on our audit.

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

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

In our opinion, Henderson County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

#### Internal Control Over Compliance

The management of Henderson County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Henderson County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Henderson County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

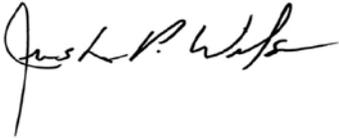
#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henderson County as of and for the year ended June 30, 2010, and have issued our report thereon dated October 14, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Henderson County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

Yours very truly,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a prominent vertical stroke on the left side.

Justin P. Wilson  
Comptroller of the Treasury

JPW/sb

Henderson County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2010

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	\$ 110,807 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	337,370
National School Lunch Program	10.555	N/A	809,660 (3)
Total U.S. Department of Agriculture			<u>\$ 1,257,837</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(2)	\$ 9,500
Passed-through State Department of Finance and Administration:			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	(2)	15,979
Total U.S. Department of Justice			<u>\$ 25,479</u>
U.S. Department of Labor:			
Passed-through Southwest Human Resource Agency:			
WIA Youth Activities - Recovery Act	17.259	N/A	\$ 42,479
Total U.S. Department of Labor			<u>\$ 42,479</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	Z0921461200	\$ 31,991
Total U.S. Department of Transportation			<u>\$ 31,991</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	Z1021851600	\$ 148,254
Passed-through State Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	N/A	1,555,103
Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A	168,165
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	816,275
Special Education - Preschool Grants	84.173	N/A	24,034
Special Education - Grants to States, Recovery Act	84.391	N/A	318,097
Special Education - Preschool Grants, Recovery Act	84.392	N/A	7,157
Career and Technical Education - Basic Grants to States	84.048	N/A	59,627
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	12,720
Improving Teacher Quality State Grants	84.367	N/A	104,219
Education Technology State Grants Cluster:			
Education Technology State Grants	84.318	N/A	6,948
Education Technology State Grants, Recovery Act	84.386	N/A	17,087
State Fiscal Stabilization Fund Cluster:			
State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	N/A	634,900
State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	N/A	39,265
Passed-through State Department of Human Services:			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	N/A	7,103
Total U.S. Department of Education			<u>\$ 3,918,954</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Homeland Security Grant Program	97.067	(2)	\$ 79,314
Total U.S. Department of Homeland Security			<u>\$ 79,314</u>
Total Expenditures of Federal Awards			<u>\$ 5,356,054</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 8,542
Litter Program - State Department of Transportation	N/A	(2)	23,399
Volunteer Fire Assistance Grant Program - State Department of Agriculture	N/A	(2)	3,000
Waste Tire Options Grant - State Department of Environment and Conservation	N/A	Z0821301220	3,795
Coordinated School Health - State Department of Education	N/A	(2)	82,117
ACT/Explore - State Department of Education	N/A	(2)	4,262
Connectenn - State Department of Education	N/A	(2)	2,430
Early Childhood Education - State Department of Education	N/A	(2)	367,175
Total State Grants			<u>\$ 494,720</u>

CFDA = Catalog of Federal Domestic Assistance  
 N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total for CFDA No. 10.555 is \$920,467.

Henderson County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2010

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Henderson County, Tennessee, for the year ended June 30, 2009, which have not been corrected.

**OFFICE OF FINANCE DIRECTOR**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.01	172	Henderson County does not have the resources to produce financial statements and notes to the financial statements
09.02	173	Designated situs-based taxes were inadequate to fund rural fire protection
09.03	173	An employee of the Finance Department remains delinquent in reimbursing the county

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

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.05	174	Excess fees were not reported and paid to the county in compliance with state statute

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

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.06	175	Execution docket trial balances did not reconcile with cash journal accounts
09.07	175	The software for the courts did not have adequate application controls

**OTHER FINDING**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.09	176	Duties were not segregated adequately in the Offices of County Clerk, Juvenile Court Clerk, and Sheriff

---

---

**HENDERSON COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2010**

---

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

1. Our report on the financial statements of Henderson County is unqualified.
2. The audit of the financial statements of Henderson County disclosed significant deficiencies in internal control. Three of these deficiencies were considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that was material to the financial statements of Henderson County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that were required to be reported under Section 510(a) of OMB Circular A-133.
7. The Title I, Part A Cluster: Title I Grants to Local Educational Agencies and Title I Grants to Local Educational Agencies, Recovery Act (CFDA Nos. 84.010 and 84.389); the Special Education Cluster: Special Education – Grants to States, Special Education – Preschool Grants, Special Education – Grants to States, Recovery Act, and Special Education – Preschool Grants, Recovery Act (CFDA Nos. 84.027, 84.173, 84.391, and 84.392); and the State Fiscal Stabilization Cluster: State Fiscal Stabilization Funds (SFSF) – Education State Grants, Recovery Act and State Fiscal Stabilization Funds (SFSF) – Government Services, Recovery Act (CFDA Nos. 84.394 and 84.397) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Henderson County did not qualify as a low-risk auditee.

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

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The finance director provided a written response to one of the findings, which is paraphrased in this report.

### **OFFICE OF FINANCE DIRECTOR**

**FINDING 10.01**      **HENDERSON COUNTY DOES NOT HAVE THE RESOURCES TO PRODUCE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS**  
(Internal Control – Material Weakness Under Government Auditing Standards)

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

### **RECOMMENDATION**

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

---

**FINDING 10.02      MATERIAL AUDIT ADJUSTMENTS WERE REQUIRED FOR PROPER FINANCIAL STATEMENT PRESENTATION**  
(Internal Control – Material Weakness Under Government Auditing Standards)

At June 30, 2010, various general ledger account balances of the General Capital Projects and School Federal Projects funds were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require Henderson County to have adequate internal controls over the maintenance of its accounting records. Material audit adjustments were required because the county's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the county has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. This deficiency is the result of management's failure to properly record accounts receivables and accounts payables. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

**RECOMMENDATION**

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

---

**FINDING 10.03      DESIGNATED SITUS-BASED TAXES WERE INADEQUATE TO FUND RURAL FIRE PROTECTION**  
(Material Noncompliance Under Government Auditing Standards)

Henderson County has used questionable methods of funding rural fire protection since 1994. Effective May 1999, counties have been authorized to fund rural fire protection services with designated situs-based taxes. In 2001, the Henderson County Commission designated certain situs-based taxes in the General Fund to be used to fund rural fire protection. Only once in the last ten years have the collections from these situs-based taxes been sufficient to cover the expenditures for rural fire protection.

During the 2009-10 year, Henderson County expended \$296,033 from the General Fund to provide fire protection service to rural areas of the county. However, the situs-based taxes totaled \$224,193 for the year and were not sufficient to cover the operating expenditures of \$296,033. Therefore, property taxes of all county citizens, living both inside and outside the City of Lexington, helped to fund this service. Citizens living within the City of Lexington paid for fire protection service in both the city and rural areas. This deficiency continues to exist due to a lack of management oversight and management's failure to correct the deficiency noted in prior-year audit reports.

RECOMMENDATION

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

---

FINDING 10.04      **AN EMPLOYEE OF THE FINANCE DEPARTMENT REMAINS DELINQUENT IN REIMBURSING THE COUNTY**  
(Noncompliance Under Government Auditing Standards)

During the 2001-02 year, an employee in the Office of County Mayor was improperly paid for 41 days of unused sick leave and 15 days of unused vacation leave. On November 8, 2002, this employee signed an agreement to refund \$5,541.89 to the county in three installments, with the last installment being in June 2004. However, as of June 30, 2010, this employee had paid only \$4,535 on the agreed amount, leaving an unpaid balance of \$1,006.89. It should be noted that this individual made no payments during the 2009-10 year and is currently employed by the county Finance Department. This deficiency exists because management has not enforced the terms of the signed agreement.

RECOMMENDATION

County officials should take appropriate steps to collect funds for this delinquent account.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

On September 27, 2010, the former employee of the Office of County Mayor paid the amount in full.

---

FINDING 10.05      **APPROPRIATIONS EXCEEDED ESTIMATED AVAILABLE FUNDING IN THE SCHOOL FEDERAL PROJECTS FUND**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The budget and subsequent amendments submitted to and approved by the County Commission for the School Federal Projects Fund resulted in appropriations exceeding estimated available funding by \$113,992. Sound budgetary principles dictate that appropriations be held within estimated available funding. This budget deficiency resulted from a lack of management oversight.

RECOMMENDATION

Appropriations that exceed estimated available funds should not be submitted to the County Commission, and the County Commission should not approve such appropriations.

---

FINDING 10.06

**DEFICIENCIES WERE NOTED WITH THE PURCHASE OF GIFT CARDS GIVEN TO EMPLOYEES WITH PERFECT ATTENDANCE**

(Internal Control – Significant Deficiency Under Government Auditing Standards)

The following deficiencies were noted with the purchase of gift cards given to employees of the Henderson County School Department with perfect attendance:

- A. On December 11, 2009, 119 gift cards were purchased from Wal-Mart totaling \$12,852 (\$108 per card) and given to any School Department employee who had perfect attendance for the first semester of the school year. The Finance Department had no documentation to support which employees received these cards. On May 17, 2010, 134 gift cards were purchased from First Bank totaling \$12,462 (\$93 per card) and given to employees who had perfect attendance for the second semester of the school year. A list of employees receiving the gift cards for the second semester was attached to this payment; however, employees were not required to sign anything indicating the receipt of the gift cards in either instance. These expenditures were purchased from the General Purpose School Fund and charged to the regular instruction other charges account, and the dollar amounts of the cards were limited by the balance in this account. Sound business practices dictate that documentation should be on file to support all payments. This deficiency is the result of a lack of management oversight. The practice of paying invoices without adequate documentation increases the risks of fraud and abuse.
- B. These incentive payments were not made through the county's payroll system. Therefore, applicable payroll taxes were not withheld and reported on this compensation. Also, the department did not report and pay its required matching share for social security and medicare associated with these incentive payments.
- C. We found no documentation in the minutes of the Board of Education that these incentive payments had been approved by the Board of Education; however, both the director of schools and the county finance director advised us that the Board of Education did approve the incentive payments.

RECOMMENDATION

Documentation should be on file indicating which employees received the gift cards. All employee compensation should be paid through the county's payroll system with all applicable taxes reported. Documentation should be in the minutes of the Board of Education indicating the board's approval for providing these benefits to its employees.

---

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

**FINDING 10.07**      **EXCESS FEES WERE NOT REPORTED AND PAID TO THE COUNTY IN COMPLIANCE WITH STATE STATUTE**  
(Noncompliance Under Government Auditing Standards)

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

**RECOMMENDATION**

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

---

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

**FINDING 10.08**      **EXECUTION DOCKET TRIAL BALANCES DID NOT RECONCILE WITH CASH JOURNAL ACCOUNTS**  
(Noncompliance Under Government Auditing Standards)

At June 30, 2010, the circuit and general sessions courts clerk had prepared trial balances of execution docket cause balances as required by Section 18-2-103, Tennessee Code Annotated (TCA). However, these trial balances did not reconcile with cash journal accounts by substantial amounts. Therefore, we were unable to determine if the clerk had complied with provisions of the Unclaimed Property Act, Section 66-29-110, TCA. This statute provides that any funds held by the court for one year and unclaimed by the owner are considered abandoned. Section 66-29-113, TCA, further requires these funds to be reported and paid to the state Treasurer's Office. This deficiency exists due to the failure of management to take corrective action for the finding reported in the prior-year audit report.

**RECOMMENDATION**

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

---

**FINDING 10.09      THE SOFTWARE FOR THE COURTS DID NOT HAVE ADEQUATE APPLICATION CONTROLS**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The software system used by the courts did not have adequate application controls. Receipts could be deleted from the application, leaving no evidence of the original transaction. Sound business practices dictate that proper application controls be implemented. Since the vendor did not design the system with proper controls, inappropriate system activity could occur. This functionality was later removed by the vendor.

---

**OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 10.10      HENDERSON COUNTY HAS A MATERIAL RECURRING AUDIT FINDING**  
(Internal Control – Material Weakness Under Government Auditing Standards)

Henderson County has a material audit finding that has been reported in its annual financial reports for three or more consecutive years. The recurring material finding is listed below:

<u>Finding Numbers</u>	<u>Description</u>
10.01, 09.01, 08.01	Henderson County does not have the resources to produce financial statements and notes to the financial statements

The recurring nature of the above-noted finding indicates that management is either unwilling or unable to address the deficiency. The Local Government Modernization Act of 2005 in Section 9-3-405, Tennessee Code Annotated (TCA), encourages local governments to consider establishing an Audit Committee and further provides that the Comptroller may require that an Audit Committee be established in any local government that (1) is in noncompliance with the accounting and financial reporting standards required by the Governmental Accounting Standards Board, or (2) has recurring findings from the annual audit for three or more consecutive years as determined by the Comptroller to be a material weakness in internal control or material noncompliance under Government Auditing Standards. The responsibilities and duties of an Audit Committee are to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics.

**RECOMMENDATION**

Henderson County should establish an Audit Committee to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics.

This Audit Committee should provide management with guidance to correct all reported material weaknesses in internal control and material noncompliance. If this finding continues to recur, Henderson County may be required to establish an Audit Committee under the provisions of Section 9-3-405, TCA.

---

**FINDING 10.11      DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY CLERK, JUVENILE COURT CLERK, AND SHERIFF**

(Internal Control – Significant Deficiency Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees in the Offices of County Clerk, Juvenile Court Clerk, and Sheriff. Officials and employees responsible for maintaining the accounting records in these offices were also involved in receipting, depositing, disbursing, and/or reconciling bank statements. Accounting standards provide that internal controls be designed to provide reasonable assurance of the reliability in financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, this 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.

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

There were no findings and questioned costs for federal awards.

**HENDERSON COUNTY, TENNESSEE  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2010**

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