



**ANNUAL FINANCIAL REPORT  
HENRY COUNTY, TENNESSEE**



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



**ANNUAL FINANCIAL REPORT  
HENRY 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***

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

***KATINA VALENTINE  
JAKE McNATT, CFE  
WENDY HEATH, CFE  
State Auditors***

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

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

***Scope***

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

***Results***

Our report on Henry County's financial statements is qualified because the financial statements do not include a component unit whose financial statements were not available from other auditors at the date of this report. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.

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

***Findings and Best Practice***

The following are summaries of the audit findings and best practice:

**HENRY COUNTY HIGHWAY DEPARTMENT AND HENRY COUNTY SCHOOL DEPARTMENT**

- ◆ The Highway/Public Works and the Education Capital Projects funds required material audit adjustments for proper financial statement presentation.

---

**OFFICE OF DIRECTOR OF SCHOOLS**

- ◆ The School Department did not account for American Recovery and Reinvestment Act grants separately from other school funds.

---

**OFFICE OF CLERK AND MASTER**

- ◆ At June 30, 2010, the execution docket trial balance did not reconcile with general ledger accounts by \$39,948.
-

## **OTHER FINDINGS**

- ◆ Henry County has a material recurring audit finding.
  - ◆ Duties were not segregated adequately among the officials and employees in the Offices of County Clerk, Circuit and General Sessions Courts Clerk, Register, and Sheriff.
- 

## **BEST PRACTICE**

Henry County does not have a central system of accounting, budgeting, and purchasing. The Division of County Audit strongly believes that a central system of accounting, budgeting, and purchasing is a best practice that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of Henry County.

---



---

## HENRY COUNTY, TENNESSEE TABLE OF CONTENTS

---



---

	Exhibit	Page(s)
Audit Highlights		6-7
<u>INTRODUCTORY SECTION</u>		8
Henry 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	15-16
Statement of Activities	B	17-18
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	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		25-69
REQUIRED SUPPLEMENTARY INFORMATION:		70
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	E-1	71-74
Highway/Public Works Fund	E-2	75-76
Schedule of Funding Progress – Pension Plan – Primary Government and Discretely Presented Henry County School Department	E-3	77
Schedule of Funding Progress – Other Postemployment Benefits Plans – Primary Government and Discretely Presented Henry County School Department	E-4	78
Notes to the Required Supplementary Information		79

	Exhibit	Page(s)
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		80
Nonmajor Governmental Funds:		81
Combining Balance Sheet	F-1	82
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	83
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
Solid Waste/Sanitation Fund	F-3	84
Drug Control Fund	F-4	85
Major Governmental Fund:		86
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	G	87
Fiduciary Funds:		88
Combining Statement of Fiduciary Assets and Liabilities	H-1	89
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	H-2	90-91
Component Unit:		
Discretely Presented Henry County School Department:		92
Statement of Activities	I-1	93
Balance Sheet – Governmental Funds	I-2	94
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	I-3	95
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	I-4	96
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	I-5	97
Combining Balance Sheet – Nonmajor Governmental Funds	I-6	98
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	I-7	99
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	I-8	100-101
School Federal Projects Fund	I-9	102
Central Cafeteria Fund	I-10	103
Miscellaneous Schedules:		104
Schedule of Changes in Long-term Notes, Other Loans, and Bonds	J-1	105
Schedule of Long-term Debt Requirements by Year	J-2	106
Schedule of Transfers – Primary Government and Discretely Presented Henry County School Department	J-3	107

	Exhibit	Page(s)
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Henry County School Department	J-4	108
Schedule of Detailed Revenues – All Governmental Fund Types	J-5	109-113
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Henry County School Department	J-6	114-115
Schedule of Detailed Expenditures – All Governmental Fund Types	J-7	116-136
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Henry County School Department	J-8	137-149
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balances – City Agency Funds	J-9	150
 <u>SINGLE AUDIT SECTION</u>		 151
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>		152-154
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>		155-157
Schedule of Expenditures of Federal Awards and State Grants		158-159
Schedule of Audit Findings Not Corrected		160
Schedule of Findings and Questioned Costs		161-166
Auditee Reporting Responsibilities		167

---

---

# INTRODUCTORY SECTION

---

---

# Henry County Officials

## June 30, 2010

---

### **Officials**

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

### **Board of County Commissioners**

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

### **Board of Education**

Patricia Reimold, Chairman  
Tom Beasley  
Robert Sleadd  
George Todd  
Gary Williams

### **Highway Commission**

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

---

---

## **FINANCIAL SECTION**

---

---



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

**INDEPENDENT AUDITOR'S REPORT**

February 11, 2011

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henry County, Tennessee, as of and for the year ended June 30, 2010, which collectively comprise Henry County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Henry County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Henry County Medical Center, which represent 67 percent and 69 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 Henry County Medical Center, 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.

The financial statements of the Henry County Emergency Communications District, a component unit requiring discrete presentation, had not been made available by other auditors as of the date of this report. Accordingly, the aggregate discretely presented component units financial statements referred to above do not include amounts for the Henry County Emergency Communications District, which should be included to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements of the aggregate discretely presented component units are not reasonably determinable.

In our opinion, based on our audit and the report of other auditors, except for the effects of not including the financial statements of the Henry County Emergency Communications District as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Henry County, Tennessee, at June 30, 2010, and the results of operations of the aggregate discretely presented component units, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, 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, each major fund, and the aggregate remaining fund information of Henry 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 February 11, 2011, on our consideration of Henry County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

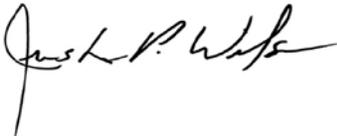
As described in Note V.B., Henry County has adopted the provisions of Governmental Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which became effective for the 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 71 through 79 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 Henry County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Henry County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Henry County School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit, 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 by us in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury

JPW/yu

---

---

# **BASIC FINANCIAL STATEMENTS**

---

---

Exhibit A

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

	Primary Government Activities	Component Units	
		Henry County School Department	Henry County Medical Center
<u>ASSETS</u>			
Cash	\$ 12,092	\$ 800	\$ 3,184,347
Equity in Pooled Cash and Investments	8,144,852	6,051,494	0
Inventories	0	0	1,848,431
Investments	0	0	7,604,112
Accounts Receivable	155,361	0	16,315,578
Allowance for Uncollectibles	0	0	(7,999,000)
Due from Other Governments	1,083,654	1,470,104	0
Property Taxes Receivable	4,963,119	4,837,182	0
Allowance for Uncollectible Property Taxes	(99,659)	(97,129)	0
Prepaid Items	0	0	360,168
Cash Shortage	93,693	0	0
Other Current Assets	0	0	955,508
Other Restricted Assets	0	0	15,201,141
Deferred Charges - Debt Issuance Costs	251,386	0	0
Capital Assets:			
Assets Not Depreciated:			
Land	5,057,097	610,066	655,041
Construction in Progress	287,613	787,632	140,382
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	4,516,509	22,059,077	27,517,636
Infrastructure	17,569,302	0	0
Other Capital Assets	677,598	1,604,399	8,815,936
Total Assets	<u>\$ 42,712,617</u>	<u>\$ 37,323,625</u>	<u>\$ 74,599,280</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 67,101	\$ 523,649	\$ 1,813,130
Accrued Payroll	0	3,898	0
Payroll Deductions Payable	799	0	0
Contracts Payable	0	235,144	0
Retainage Payable	0	12,376	0
Claims and Judgments Payable	0	0	209,927
Accrued Interest Payable	109,730	0	0
Other Current Liabilities	0	0	4,589,977
Deferred Revenue - Current Property Taxes	4,661,725	4,543,435	0
Noncurrent Liabilities:			
Due Within One Year	2,262,400	3,017	1,053,000
Due in More Than One Year (net of deferred amount on refunding and unamortized premium on debt)	22,492,503	1,131,495	13,617,558
Total Liabilities	<u>\$ 29,594,258</u>	<u>\$ 6,453,014</u>	<u>\$ 21,283,592</u>

(Continued)

Exhibit A

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

	Primary Governmental Activities	Component Units	
		Henry County School Department	Henry County Medical Center
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 24,602,517	\$ 0	\$ 22,657,745
Invested in Capital Assets	0	25,061,174	0
Restricted for:			
Resort District	195,531	0	0
Solid Waste/Sanitation	360,454	0	0
Drug Control	288,622	0	0
Highway/Public Works	2,063,114	0	0
Debt Service	1,024,405	0	0
Central Cafeteria	0	543,299	0
Capital Projects	639,674	2,436,600	0
Other Purposes	39,501	152,291	0
Unrestricted	(16,095,459)	2,677,247	30,657,943
Total Net Assets	<u>\$ 13,118,359</u>	<u>\$ 30,870,611</u>	<u>\$ 53,315,688</u>

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

Exhibit B

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

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets						
	Program Revenues			Component Units			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Henry County School Department	Henry County Medical Center
Primary Government:							
Governmental Activities:							
General Government	\$ 845,000	\$ 354,996	\$ 20,791	\$ 0	\$ (469,213)	\$ 0	\$ 0
Finance	1,035,148	929,315	12,562	0	(93,271)	0	0
Administration of Justice	1,105,849	627,334	34,936	0	(443,579)	0	0
Public Safety	4,556,466	1,043,799	96,652	5,708	(3,410,307)	0	0
Public Health and Welfare	866,097	215,305	93,512	0	(557,280)	0	0
Social, Cultural, and Recreational Services	318,833	0	37,688	0	(281,145)	0	0
Agriculture and Natural Resources	199,721	0	0	0	(199,721)	0	0
Other Operations	1,443,937	267,255	643,864	137,716	(395,102)	0	0
Highways	6,384,864	49,246	1,884,939	287,938	(4,162,741)	0	0
Education	2,436,600	0	0	0	(2,436,600)	0	0
Interest on Long-term Debt	879,211	0	1,574,905	0	695,694	0	0
Other Debt Service	38,642	0	1,188	0	(37,454)	0	0
<b>Total Primary Government</b>	<b>\$ 20,110,368</b>	<b>\$ 3,487,250</b>	<b>\$ 4,401,037</b>	<b>\$ 431,362</b>	<b>\$ (11,790,719)</b>	<b>\$ 0</b>	<b>\$ 0</b>
Component Units:							
Henry County School Department	\$ 29,158,102	\$ 718,560	\$ 4,615,217	\$ 2,436,600	\$ 0	\$ (21,387,725)	\$ 0
Henry County Medical Center	66,160,777	65,556,492	0	0	0	0	(604,285)
<b>Total Component Units</b>	<b>\$ 95,318,879</b>	<b>\$ 66,275,052</b>	<b>\$ 4,615,217</b>	<b>\$ 2,436,600</b>	<b>\$ 0</b>	<b>\$ (21,387,725)</b>	<b>\$ (604,285)</b>

(Continued)

Exhibit B

Henry County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Expenses	Component Units		
					Primary Governmental Activities	Henry County School Department	Henry County Medical Center
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes				\$ 4,440,014	\$ 4,538,898	\$ 0	0
Property Taxes Levied for Debt Service				141,446	0	0	0
Local Option Sales Taxes				580,057	2,687,375	0	0
Hotel/Motel Tax				229,269	0	0	0
Wheel Tax				983,750	0	0	0
Litigation Tax - General				108,243	0	0	0
Business Tax				111,207	124,355	0	0
Wholesale Beer Tax				433,047	0	0	0
Other Local Taxes				37,243	1,854	0	0
Grants and Contributions Not Restricted to Specific Programs				631,701	15,697,262	0	0
Unrestricted Investment Income				225,365	0	248,795	0
Miscellaneous				41,466	87,666	1,423,049	0
Total General Revenues				\$ 7,962,808	\$ 23,137,410	\$ 1,671,844	0
Change in Net Assets				\$ (3,827,911)	\$ 1,749,685	\$ 1,067,559	0
Net Assets, July 1, 2009				16,153,414	29,120,926	52,248,129	0
Prior-period Adjustment				792,856	0	0	0
Net Assets, June 30, 2010				\$ 13,118,359	\$ 30,870,611	\$ 53,315,688	0

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

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

ASSETS

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other Governmental Funds		
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,092	\$ 12,092	\$ 12,092
Equity in Pooled Cash and Investments	2,512,683	948,493	2,990,986	669,396	582,222	7,703,780	7,703,780
Accounts Receivable	136,019	0	0	0	19,342	155,361	155,361
Due from Other Governments	442,913	628,321	888	0	11,532	1,083,654	1,083,654
Due from Other Funds	12,092	441,072	0	0	0	453,164	453,164
Property Taxes Receivable	2,814,140	1,688,484	153,498	0	306,997	4,963,119	4,963,119
Allowance for Uncollectible Property Taxes	(56,508)	(33,904)	(3,082)	0	(6,165)	(99,659)	(99,659)
Cash Shortage	49,913	0	0	20,278	23,502	93,693	93,693
<b>Total Assets</b>	<b>\$ 5,911,252</b>	<b>\$ 3,672,466</b>	<b>\$ 3,142,290</b>	<b>\$ 689,674</b>	<b>\$ 949,522</b>	<b>\$ 14,365,204</b>	<b>\$ 14,365,204</b>

LIABILITIES AND FUND BALANCES

<b>Total Liabilities</b>	<b>\$ 17,101</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 50,000</b>	<b>\$ 0</b>	<b>\$ 67,101</b>
<b>Fund Balances</b>	<b>\$ 21,764</b>	<b>\$ 16,575</b>	<b>\$ 0</b>	<b>\$ 33,869</b>	<b>\$ 1,188</b>	<b>\$ 73,396</b>
Reserved for Encumbrances	154,363	0	0	0	0	154,363
Reserved for Resort District	0	0	0	0	22,778	22,778
Reserved for Purchase of Electronic Fingerprint Imaging System	35,401	0	0	0	0	35,401
Reserved for Alcohol and Drug Treatment	4,100	0	0	0	0	4,100
Reserved for Sexual Offender Registration	2,664,150	0	0	0	0	2,664,150
Unreserved, Reported In:	0	1,848,571	0	0	604,718	2,453,289
General Fund	0	0	2,992,796	0	0	2,992,796
Special Revenue Funds	0	0	0	605,805	0	605,805
Debt Service Fund	0	0	0	0	0	0
Capital Projects Fund	0	0	0	0	0	0
<b>Total Fund Balances</b>	<b>\$ 2,879,778</b>	<b>\$ 1,865,146</b>	<b>\$ 2,992,796</b>	<b>\$ 639,674</b>	<b>\$ 628,684</b>	<b>\$ 9,006,078</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,911,252</b>	<b>\$ 3,672,466</b>	<b>\$ 3,142,290</b>	<b>\$ 689,674</b>	<b>\$ 949,522</b>	<b>\$ 14,365,204</b>

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

Exhibit C-2

Henry County, Tennessee

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

June 30, 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)		\$	9,006,078
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	5,057,097	
Add: construction in progress		287,613	
Add: buildings and improvements net of accumulated depreciation		4,516,509	
Add: infrastructure net of accumulated depreciation		17,569,302	
Add: other capital assets net of accumulated depreciation		<u>677,598</u>	28,108,119
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(2,249,431)	
Less: other loans payable		(2,663,112)	
Less: bonds payable		(17,595,447)	
Add: deferred charges - debt issuance costs		251,386	
Add: deferred amount on refunding		90,797	
Less: other deferred revenue - premium on debt		(14,635)	
Less: accrued interest on notes and bonds		(109,730)	
Less: accreted interest on bonds		(1,954,775)	
Less: other postemployment benefits liability		(22,605)	
Less: compensated absences payable		<u>(345,695)</u>	(24,613,247)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>617,409</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>13,118,359</u></u>

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

Henry 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	General	Other	Governmental Funds	
		Public Works	Debt Service	Capital Projects			
<b>Revenues</b>							
Local Taxes	\$ 4,521,501	\$ 1,652,838	\$ 728,786	\$ 0	\$ 300,590	\$ 7,203,715	
Licenses and Permits	126,885	0	0	0	0	126,885	
Fines, Forfeitures, and Penalties	223,650	0	0	0	47,866	271,516	
Charges for Current Services	148,860	0	0	0	0	148,860	
Other Local Revenues	374,404	52,641	289,037	0	221,453	937,535	
Fees Received from County Officials	1,432,526	0	0	0	0	1,432,526	
State of Tennessee	1,997,213	2,172,748	0	6,133	23,844	4,199,938	
Federal Government	290,506	0	0	0	0	290,506	
Other Governments and Citizens Groups	95,964	5,000	1,574,905	5,708	6,248	1,687,825	
<b>Total Revenues</b>	<b>\$ 9,211,509</b>	<b>\$ 3,883,227</b>	<b>\$ 2,592,728</b>	<b>\$ 11,841</b>	<b>\$ 600,001</b>	<b>\$ 16,299,306</b>	
<b>Expenditures</b>							
Current:							
General Government	\$ 902,561	\$ 0	\$ 0	\$ 0	\$ 0	\$ 902,561	
Finance	786,638	0	0	0	0	786,638	
Administration of Justice	851,379	0	0	0	0	851,379	
Public Safety	3,271,269	0	0	0	65,466	3,336,735	
Public Health and Welfare	196,720	0	0	0	512,892	709,612	
Social, Cultural, and Recreational Services	266,687	0	0	0	0	266,687	
Agriculture and Natural Resources	177,625	0	0	0	0	177,625	
Other Operations	2,880,838	0	11,009	0	5,833	2,897,680	
Highways	0	5,226,458	0	0	0	5,226,458	
Debt Service:							
Principal on Debt	0	400,000	1,984,296	0	0	2,384,296	
Interest on Debt	0	3,597	726,670	0	0	730,267	
Other Debt Service	0	23,542	13,098	0	0	36,640	
Capital Projects	0	0	0	3,042,371	0	3,042,371	
<b>Total Expenditures</b>	<b>\$ 9,333,717</b>	<b>\$ 5,653,597</b>	<b>\$ 2,735,073</b>	<b>\$ 3,042,371</b>	<b>\$ 584,191</b>	<b>\$ 21,348,949</b>	
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (122,208)</b>	<b>\$ (1,770,370)</b>	<b>\$ (142,345)</b>	<b>\$ (3,030,530)</b>	<b>\$ 15,810</b>	<b>\$ (5,049,643)</b>	

(Continued)

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other Governmental Funds		
<u>Other Financing Sources (Uses)</u>							
Bonds Issued	\$ 0	\$ 0	\$ 0	\$ 2,500,000	\$ 0	\$ 0	\$ 2,500,000
Notes Issued	0	0	0	659,715	0	0	659,715
Premiums on Debt Issued	0	0	0	11,670	0	0	11,670
Other Loans Issued	0	1,201,414	0	0	0	0	1,201,414
Insurance Recovery	0	29,249	0	0	0	0	29,249
Transfers In	0	436,073	118,900	0	0	0	554,973
Transfers Out	(554,973)	0	0	0	0	0	(554,973)
Total Other Financing Sources (Uses)	\$ (554,973)	\$ 1,666,736	\$ 118,900	\$ 3,171,385	\$ 0	\$ 0	\$ 4,402,048
Net Change in Fund Balances	\$ (677,181)	\$ (103,634)	\$ (23,445)	\$ 140,855	\$ 15,810	\$ 0	\$ (647,595)
Fund Balance, July 1, 2009	3,556,959	1,968,780	3,016,241	498,819	612,874	0	9,653,673
Fund Balance, June 30, 2010	\$ 2,879,778	\$ 1,865,146	\$ 2,992,796	\$ 639,674	\$ 628,684	\$ 0	\$ 9,006,078

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

Exhibit C-4

Henry County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 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)		\$ (647,595)
(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	\$ 1,088,453	
Less: current year depreciation expense	<u>(2,128,591)</u>	(1,040,138)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Add: gain on disposal of capital assets	\$ 10,034	
Less: proceeds received from the disposal of capital assets	<u>(66,732)</u>	(56,698)
(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	\$ 617,409	
Less: deferred delinquent property taxes and other deferred June 30, 2009	<u>(619,734)</u>	(2,325)
(4) The issuance of long-term debt (e.g., notes, other loans, bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Less: note proceeds	\$ (659,715)	
Less: bond proceeds	(2,500,000)	
Less: other loan proceeds	(1,201,414)	
Less: change in premium on debt issuances	(10,482)	
Add: change in deferred debt issuance costs	73,068	
Less: change in deferred amount on refunding debt	(20,547)	
Add: principal payments on notes	495,722	
Add: principal payments on bonds	822,174	
Add: principal payments on other loans	<u>1,066,400</u>	(1,934,794)
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest on notes and bonds	\$ (12,834)	
Change in accreted interest on bonds	(115,563)	
Change in compensated absences payable	(758)	
Change in other postemployment benefits liability	<u>(17,206)</u>	(146,361)
Change in net assets of governmental activities (Exhibit B)		<u>\$ (3,827,911)</u>

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

Exhibit D

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,035,559
Equity in Pooled Cash and Investments	284,005
Accounts Receivable	23,325
Due from Other Governments	876,508
Property Taxes Receivable	3,307,947
Allowance for Uncollectible Property Taxes	<u>(66,000)</u>
Total Assets	<u>\$ 5,461,344</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 4,294,967
Due to Litigants, Heirs, and Others	1,033,222
Due to Joint Ventures	<u>133,155</u>
Total Liabilities	<u>\$ 5,461,344</u>

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

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

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

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

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

The Henry County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Henry County, and the Henry County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval. The financial statements of the Henry County Emergency Communications District were not available from other auditors in time for inclusion in this report.

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

Administrative Offices:

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

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

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

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

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

Henry County issues all debt for the discretely presented Henry County School Department. Net debt issues totaling \$2,436,600 were contributed by the county to the School Department during the year ended June 30, 2010.

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

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

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

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

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

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

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

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

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

Henry County reports the following major governmental funds:

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

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

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

**General Capital Projects Fund** – The General Capital Projects Fund accounts for the financial resources to be used for general capital expenditures and to account for the receipt of debt issued by Henry County and contributed to the School Department for building construction.

Additionally, Henry 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 Henry County, judicial district drug grants and other revenues held for the multi-jurisdictional drug task force, and the city school system’s share of educational revenues. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of

operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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

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

**Education Capital Projects Fund** – This fund is used to account for the receipt of debt issued by Henry County and contributed to the School Department for building construction.

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

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

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

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

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

**D. Assets, Liabilities, and Net Assets or Equity**

**1. Deposits and Investments**

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

debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Henry County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service Fund and the discretely presented School Department's General Purpose School Fund. Henry County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

## **2. Receivables and Payables**

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 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 discretely presented General Purpose School Fund represents amounts withheld from payments made on construction contracts pending completion of the projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments in the General Purpose School Fund.

### **3. Capital Assets**

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

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

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

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

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

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

**4. Compensated Absences**

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

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

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

**5. Long-term Obligations**

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

related debt. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is netted against the new debt and amortized over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

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

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

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

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

The government-wide Statement of Net Assets reports \$4,611,301 of restricted net assets for the primary government, of which \$195,531 is restricted by enabling legislation.

At June 30, 2010, Henry County had \$18,984,789 in outstanding debt for capital purposes for the discretely presented Henry County School

Department. The debt is a liability of Henry County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Henry County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

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

**7. Prior-period Adjustment**

Capital assets were restated \$792,856 from the prior year because construction in progress for airport improvements had been omitted.

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

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

**Primary Government**

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

**Discretely Presented Henry County School Department**

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

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

**Primary Government**

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

**Discretely Presented Henry County School Department**

Exhibit I-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total

governmental funds with the change in net assets of governmental activities reported in the government-wide Statement of Activities.

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

#### **A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers - Fees Fund (special revenue fund), which is not budgeted, and the capital projects 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, Other Boards and Committees, County Mayor/Executive, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

#### **B. Fund Deficit**

The Education Capital Projects Fund of the discretely presented School Department had a deficit in unreserved fund balance of \$222,547 at June 30, 2010. This deficit resulted from the recognition of the unperformed portion of construction contracts of \$2,659,147 being reserved as encumbrances. Funding to eliminate this deficit is expected to be received by a transfer from the General Purpose School Fund.

#### **C. Expenditures Exceeded Appropriations**

Expenditures exceeded appropriations approved by the County Commission in the Preservation of Records major appropriation category (the legal level of control) of the General Fund by \$3,729. Also, expenditures exceeded

appropriations approved by the County Commission in the Other Student Support major appropriation category of the discretely presented General Purpose School Fund by \$9,702. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balances.

**D. Cash Shortage – Prior Year**

As noted in the annual financial report for the year ended June 30, 2006, a cash shortage totaling \$162,658 existed in the General (\$118,878), Drug Control (\$23,502), and General Capital Projects (\$20,278) funds as a result of irregularities in the Office of Sheriff. Former Sheriff David Bumpus, former business manager Faye Scott, and former owner of Elite Firearms, Jason Ferren, all pled guilty to various charges and received various sentences and fines. The three defendants have been ordered to pay restitution totaling \$71,512. This amount is net of estimated auction proceeds of items recovered from David Bumpus. The actual auction proceeds received during the 2008-09 year totaled \$12,205. During the 2009-10 fiscal year, no restitution had been received. As of June 30, 2010, the cash shortage totaled \$93,693, which included the General (\$49,913), Drug Control (\$23,502), and General Capital Projects (\$20,278) funds.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

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

**Deposits**

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

deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

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

### **Investments**

**Legal Provisions.** Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state 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 or 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:**

	Restated*			Balance
	Balance	Increases	Decreases	Balance
	7-1-09			6-30-10
Capital Assets Not Depreciated:				
Land	\$ 5,034,256	\$ 24,500	\$ (1,659)	\$ 5,057,097
Construction in Progress	1,664,038	380,319	(1,756,744)	287,613
<b>Total Capital Assets Not Depreciated</b>	<b>\$ 6,698,294</b>	<b>\$ 404,819</b>	<b>\$ (1,758,403)</b>	<b>\$ 5,344,710</b>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 7,686,309	\$ 838,433	\$ 0	\$ 8,524,742
Infrastructure	37,381,791	1,248,481	0	38,630,272
Other Capital Assets	3,580,446	353,464	(83,022)	3,850,888
<b>Total Capital Assets Depreciated</b>	<b>\$ 48,648,546</b>	<b>\$ 2,440,378</b>	<b>\$ (83,022)</b>	<b>\$ 51,005,902</b>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 3,706,975	\$ 301,258	\$ 0	\$ 4,008,233
Infrastructure	19,486,028	1,574,942	0	21,060,970
Other Capital Assets	2,948,882	252,391	(27,983)	3,173,290
<b>Total Accumulated Depreciation</b>	<b>\$ 26,141,885</b>	<b>\$ 2,128,591</b>	<b>\$ (27,983)</b>	<b>\$ 28,242,493</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 22,506,661</b>	<b>\$ 311,787</b>	<b>\$ (55,039)</b>	<b>\$ 22,763,409</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 29,204,955</b>	<b>\$ 716,606</b>	<b>\$ (1,813,442)</b>	<b>\$ 28,108,119</b>

\*The balance on July 1, 2009, was restated \$792,856 because construction in progress for airport improvements had been omitted in the prior year.

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

**Governmental Activities:**

General Government	\$ 30,743
Finance	616
Public Safety	315,072
Public Health and Welfare	88,625
Social, Cultural, and Recreational Services	2,094
Other Operations	78,791
Highways	<u>1,612,650</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,128,591</u>

**Discretely Presented Henry County School Department**

**Governmental Activities:**

	Balance 7-1-09	Increases	Balance 6-30-10
Capital Assets Not Depreciated:			
Land	\$ 610,066	\$ 0	\$ 610,066
Construction in Progress	<u>0</u>	<u>787,632</u>	<u>787,632</u>
Total Capital Assets Not Depreciated	<u>\$ 610,066</u>	<u>\$ 787,632</u>	<u>\$ 1,397,698</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 43,455,439	\$ 176,200	\$ 43,631,639
Other Capital Assets	<u>3,835,060</u>	<u>692,805</u>	<u>4,527,865</u>
Total Capital Assets Depreciated	<u>\$ 47,290,499</u>	<u>\$ 869,005</u>	<u>\$ 48,159,504</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 19,944,993	\$ 1,627,569	\$ 21,572,562
Other Capital Assets	<u>2,577,768</u>	<u>345,698</u>	<u>2,923,466</u>
Total Accumulated Depreciation	<u>\$ 22,522,761</u>	<u>\$ 1,973,267</u>	<u>\$ 24,496,028</u>
Total Capital Assets Depreciated, Net	<u>\$ 24,767,738</u>	<u>\$ (1,104,262)</u>	<u>\$ 23,663,476</u>
Governmental Activities Capital Assets, Net	<u>\$ 25,377,804</u>	<u>\$ (316,630)</u>	<u>\$ 25,061,174</u>

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

**Governmental Activities:**

Instruction	\$ 1,599,321
Support Services	308,297
Operation of Non-Instructional Services	<u>65,649</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 1,973,267</u></u>

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

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

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 12,092
Highway/Public Works	General	441,072
Discretely Presented School Department:		
General Purpose School	Nonmajor governmental	21,604
Nonmajor governmental	General Purpose School	3,984

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

The receivable in the Highway/Public Works Fund of \$441,072 was in transit from the General Fund at June 30, 2010. The receivable in the discretely presented School Department nonmajor governmental fund of \$3,984 was in transit from the General Purpose School Fund at June 30, 2010.

**Interfund Transfers:**

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

**Primary Government**

Transfers Out	Transfers In	
	Highway/ Public Works Fund	General Debt Service Fund
General Fund	\$ 436,073	\$ 118,900

**Discretely Presented Henry County School Department**

Transfer Out	Transfer In
	General Purpose School Fund
Nonmajor governmental funds	\$ 21,604

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

**D. Long-term Debt**

**Primary Government**

**General Obligation Bonds, Notes, and Other Loans**

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 22 years for bonds, up to 12 years for notes, and up to 19 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in the long-term debt as of June 30, 2010, will be retired from the General Debt Service and Highway/Public Works funds.

General obligation bonds, capital outlay notes, and other loans 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	1.6 to 4.6%	\$ 9,100,000	\$ 9,100,000
General Obligation Bonds - Refunding	3 to 3.85	5,790,000	5,130,000
Capital Accretion Bonds	4.6 to 5.2	3,693,361	3,365,447
Other Loans	variable	9,146,412	2,663,112
Capital Outlay Notes	0 to 3.99	2,765,872	2,249,431

In prior years, Henry County entered into two loan agreements with the Montgomery County Public Building Authority. Under these loan agreements, the authority loaned \$3,000,000 and \$4,944,998 to Henry County for various renovation and construction projects. These loans are repayable at interest rates that are tax-exempt variable rates determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with these loans. At June 30, 2010, the variable interest rates were .52 percent, on both loans, and other fees totaled approximately .4 percent (.25 percent letter of credit and .15 percent remarketing) for both loans, of the outstanding loan principal. Each loan is also assessed an annual trustee fee of \$720.

During the year, Henry County entered into a loan agreement with the Montgomery County Public Building Authority. Under the loan agreement, the authority made \$2,800,000 available for loan to Henry County for road improvements. As of June 30, 2010, Henry County had drawn \$1,201,414 of the available \$2,800,000 loan. The loan is repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with this loan. At June 30, 2010, the variable interest rate was .44 percent and other fees totaled approximately .25 percent (letter of credit), and .15 percent (remarketing) of the outstanding loan principal. The loan is also assessed an annual trustee fee of \$720.

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

Year Ending June 30	Bonds		
	Principal	Interest	Total
2011	\$ 868,931	\$ 746,397	\$ 1,615,328
2012	872,438	744,782	1,617,220
2013	880,447	736,803	1,617,250
2014	885,341	731,064	1,616,405
2015	898,169	726,240	1,624,409
2016-2020	4,585,507	4,870,638	9,456,145
2021-2025	8,044,614	1,445,596	9,490,210
2026	560,000	23,800	583,800
Total	<u>\$ 17,595,447</u>	<u>\$ 10,025,320</u>	<u>\$ 27,620,767</u>

Year Ending June 30	Notes		
	Principal	Interest	Total
2011	\$ 371,316	\$ 38,837	\$ 410,153
2012	284,152	31,486	315,638
2013	287,095	27,926	315,021
2014	290,152	24,253	314,405
2015	205,916	20,463	226,379
2016-2020	725,225	52,697	777,922
2021-2022	85,575	5,155	90,730
Total	<u>\$ 2,249,431</u>	<u>\$ 200,817</u>	<u>\$ 2,450,248</u>

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2011	\$ 833,800	\$ 13,207	\$ 8,649	\$ 855,656
2012	818,598	9,062	5,909	833,569
2013	483,100	5,005	3,259	491,364
2014	282,614	2,703	1,985	287,302
2015	245,000	1,274	980	247,254
Total	<u>\$ 2,663,112</u>	<u>\$ 31,251</u>	<u>\$ 20,782</u>	<u>\$ 2,715,145</u>

There is \$2,992,796 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$566, based on the 2000 federal census. Debt per capita, including bonds, notes, and other loans totaled \$723, based on the 2000 federal census.

Changes in Long-term Liabilities

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

**Governmental Activities:**

	Bonds	Notes	Accreted Interest
Balance, July 1, 2009	\$ 15,917,621	\$ 2,085,438	\$ 1,839,212
Additions	2,500,000	659,715	273,389
Deductions	(822,174)	(495,722)	(157,826)
Balance, June 30, 2010	<u>\$ 17,595,447</u>	<u>\$ 2,249,431</u>	<u>\$ 1,954,775</u>
Balance Due Within One Year	<u>\$ 868,931</u>	<u>\$ 371,316</u>	<u>\$ 171,069</u>

	Other Loans	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2009	\$ 2,528,098	\$ 344,937	\$ 5,399
Additions	1,201,414	299,502	23,013
Deductions	(1,066,400)	(298,744)	(5,807)
Balance, June 30, 2010	<u>\$ 2,663,112</u>	<u>\$ 345,695</u>	<u>\$ 22,605</u>
Balance Due Within One Year	<u>\$ 833,800</u>	<u>\$ 17,284</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 24,831,065
Less: Balance Due Within One Year	(2,262,400)
Less: Deferred Amount on Refunding	(90,797)
Add: Unamortized Premium on Debt	<u>14,635</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 22,492,503</u>

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

**Discretely Presented Henry County School Department**

**Changes in Long-term Liabilities**

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

**Governmental Activities:**

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2009	\$ 66,001	\$ 881,276
Additions	51,569	462,094
Deductions	(57,230)	(269,198)
Balance, June 30, 2010	<u>\$ 60,340</u>	<u>\$ 1,074,172</u>
Balance Due Within One Year	<u>\$ 3,017</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 1,134,512
Less: Balance Due Within One Year	<u>(3,017)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 1,131,495</u>

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

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Henry County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2010, were \$134,146 and \$23,383, 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

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

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

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

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

**B. Accounting Changes**

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 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. Henry County and the Henry County School Department had no assets that met the definition of intangible assets at June 30, 2010. However, it is reasonably expected that Henry County and the School Department 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 Statement 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 risk management or 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 Henry 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 investment 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. Henry County had not participated in derivative transactions as of June 30, 2010. However, it is reasonably expected that Henry County may enter into derivative transactions in subsequent years.

**C. Subsequent Events**

On August 31, 2010, Rondall Myers left the Office of Circuit and General Sessions Court Clerk and was succeeded by Mike Wilson, Jerry Bomar left the Office of County Clerk and was succeeded by Donna Craig, and Alice Webb left the Office of Register and was succeeded by Pam Martin.

On November 30, 2010, Henry County issued capital outlay notes of \$148,000 for various capital outlay projects and \$660,000 for an energy efficiency project.

**D. Contingent Liabilities**

The Henry County Medical Center has entered into loan agreements with the Montgomery County Public Building Authority. Under these loan agreements, the authority loaned proceeds of \$4,500,000 and \$16,500,000 to the medical center. The medical center has used the loan proceeds for construction, acquisition, and/or enlargement of its buildings, structures, and facilities. As of June 30, 2010, the medical center had \$834,000 and \$13,481,000 outstanding on these loans. Henry County would become liable for the repayment of these loans in the event of default by the medical center.

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

**E. Change in Administration**

Richard Kriesky resigned as director of schools effective June 30, 2009. The Henry County Board of Education appointed John Hinson to serve as interim director of schools effective July 1, 2009. Mr. Hinson resigned as interim director, and Stacy Byrd was appointed by the Board of Education as interim director of schools effective December 31, 2009. The Board of Education appointed Sam Miles as director of schools effective April 1, 2010.

**F. Joint Ventures**

The Twenty-fourth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twenty-fourth Judicial District; Benton, Carroll, Decatur, Hardin, and Henry counties; and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney, sheriffs, and police chiefs of participating law enforcement agencies within the judicial district. Henry County made no contributions to

the DTF for the year ended June 30, 2010, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

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

The W.G. Rhea Paris – Henry County Library is a regional library owned by Henry County and the City of Paris and operated by the W.G. Rhea Paris – Henry County Library Board. The board includes seven members, four appointed by the Henry County Commission and three appointed by the City of Paris. Henry County has control over budgeting and financing the joint venture only to the extent of representation by the four board members appointed and is responsible for funding 50 percent of any deficits from operations. Henry County contributed \$120,700 to the operations of the board during the year ended June 30, 2010. Complete financial statements for the W.G. Rhea Paris – Henry County Library can be obtained from the County Clerk’s Office or the library board’s administrative office at the following address:

Administrative Office:

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

The Carroll - Henry County Railroad Authority was jointly created in November 1988 by Carroll and Henry counties. The authority was established as a conduit for payment of funds between the Tennessee Department of Transportation and the Kentucky – West Tennessee Railroad Company to rehabilitate the railroad between the Kentucky stateline and Bruceton, Tennessee, including a lead to Spinks, Tennessee. The authority comprises four members. One member from each county is appointed by the County Commission. The county mayors of each county serve as members and rotate every two years as chairman. Complete financial statements for the Carroll - Henry County Railroad Authority can be obtained from the Henry County Mayor’s Office.

The Paris-Henry County Industrial Development Committee is a joint venture formed by an interlocal agreement between the city of Paris, Henry County, and the Paris-Henry County Chamber of Commerce. The purpose of the Industrial Development Committee is to provide for the planning, direction, and oversight of economic development for the City of Paris and Henry County. The committee is comprised of the director of economic development, the chief executive of the county or other designee, the mayor of Paris or other designee, one city commissioner, two county commissioners,

the city manager of the City of Paris, and the current president of the chamber of commerce. Henry County contributed \$55,000 to the Industrial Development Committee for the year ended June 30, 2010, and does not have an equity interest in this joint venture. Complete financial statements for the Industrial Development Committee can be obtained from its administrative office at the following address:

Administrative Office:

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

**G. Retirement Commitments**

**Employees**

**Plan Description**

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

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

## Funding Policy

Henry County requires employees to contribute five 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 7.59 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Henry County is established and may be amended by the TCRS Board of Trustees.

## Annual Pension Cost

For the year ended June 30, 2010, Henry County's annual pension cost of \$2,304,972 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2007, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected postretirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Henry County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007, was eight years. An actuarial valuation was performed as of July 1, 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	\$2,304,972	100%	\$0
6-30-09	2,285,809	100	0
6-30-08	2,190,457	100	0

## Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 68.72 percent funded. The actuarial accrued liability for benefits was \$68.72 million, and the actuarial value of assets was \$59.38 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$9.34 million. The covered payroll (annual payroll of active employees covered by the plan) was \$30.5 million, and the ratio of the UAAL to the covered payroll was 30.61 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 TCRS uses the frozen entry age actuarial cost method to calculate the annual required contribution. Effective July 1, 2009, the TCRS reestablished the unfunded accrued liabilities for all groups.

## **School Teachers**

### **Plan Description**

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the 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 Henry County

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 Henry County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2010, 2009, and 2008, were \$ 763,019, \$771,221, and \$721,369, respectively, equal to the required contributions for each year.

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

##### Plan Description

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

##### Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a partial subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. The School Department makes a contribution toward the health insurance premium of the group medical plan for all certified employees that meet length of employment criteria of ten years of service with the Henry County School System and a total of 25 years teaching experience. The School Department pays medical insurance in full for a single individual for a maximum of ten years or until Medicare becomes available. During the year ended June 30, 2010, the Henry County Highway Department and the

discretely presented Henry County School Department contributed \$5,807 and \$269,198, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Government Group Plan	Local Education Group Plan
ARC	\$ 23,000	\$ 460,000
Interest on the NPO	243	39,657
Adjustment to the ARC	(230)	(37,563)
Annual OPEB cost	\$ 23,013	\$ 462,094
Less: Amount of contribution	(5,807)	(269,198)
Increase/decrease in NPO	\$ 17,206	\$ 192,896
Net OPEB obligation, 7-1-09	5,399	881,276
Net OPEB obligation, 6-30-10	\$ 22,605	\$ 1,074,172

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-08	Local Government Group	\$ 11,107	82 %	\$ 2,017
6-30-09	"	11,682	71	5,399
6-30-10	"	23,013	25	22,605
6-30-08	Local Education Group	653,000	35	425,695
6-30-09	"	661,511	31	881,276
6-30-10	"	462,094	58	1,074,172

### Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010, was as follows:

	Local Government Group Plan	Local Education Group Plan
Actuarial valuation date	7-1-09	7-1-09
Actuarial accrued liability (AAL)	\$ 179,000	\$ 4,871,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 179,000	\$ 4,871,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 1,208,937	\$ 10,505,145
UAAL as a % of covered payroll	15%	46%

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 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 Local Education Group Plan had an annual healthcare cost trend rate of 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 Group 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. Purchasing Laws**

Office of County Mayor

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

Office of County Road Supervisor

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

Office of Director of Schools

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

**VI. OTHER NOTES – DISCRETELY PRESENTED HENRY COUNTY MEDICAL CENTER**

**A. Nature of Operations**

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

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

### **1. Basis of Presentation**

The medical center utilizes the proprietary fund method of accounting, whereby revenue and expenses are recognized on the accrual basis. Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the medical center has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), that do not conflict with or contradict GASB pronouncements.

### **2. Inventories**

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

### **3. Assets Limited as to Use**

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

### **4. Cash, Cash Equivalents, and Investments**

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

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

At June 30, 2010, the total carrying value of the medical center's cash, cash equivalents, and investments, including assets limited as to use,

was \$25,342,059, and the bank balance was \$25,480,398. The entire financial institution balance was covered by federal depository insurance or by collateral held by the trustee in the medical center's name.

A 50 percent interest in a joint venture that provides cancer care services in the Henry County area is included in long-term investments on the accompanying balance sheet. This investment is accounted for under the equity method. The investment balance included in long-term investments is \$647,541 at June 30, 2010.

## **5. Fair Value Measurements**

On July 1, 2008, the medical center adopted components of the accounting standards for fair value, which define fair value, establish a framework for measuring fair value, and expand disclosures about fair value measurements for both financial and non-financial assets and liabilities. These standards apply to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances.

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, fair value accounting standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity including quoted market prices in active markets for identical assets (Level 1), or significant other observable inputs (Level 2) and the reporting entity's own assumptions about market participant assumptions (Level 3). While a majority of the medical center's assets whose use is limited and investments are cash equivalents, the medical center has approximately \$8,200,000 as of June 30, 2010, in certificates of deposit that would be classified as Level 2 under the hierarchy above. The medical center does not have any fair value measurements using significant unobservable inputs (Level 3) as of June 30, 2010.

### **Financial Assets**

The carrying amount of financial assets, consisting of cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable, accrued expenses and current portions of long-term debt and capital lease obligations approximate their fair value due to their relatively short maturities. Long-term debt and other long-term liabilities are carried at amortized cost, which approximates fair value.

## Non-financial Assets

The medical center's non-financial assets, which include property and equipment, are not required to be measured at fair value on a recurring basis. However, if certain triggering events occur, or if an annual impairment test is required and the medical center is required to evaluate the non-financial instrument for impairment, a resulting asset impairment would require that the non-financial asset be recorded at the fair value. During the year ended June 30, 2010, the medical center did not measure any non-financial assets at fair-value or recognize any amounts in the statements of activities related to changes in fair value for non-financial assets.

### **6. Property and Equipment**

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

### **7. Patient Service Revenue**

The medical center has agreements with third-party payors that provide for payments to the medical center at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Patient service revenue is net of contractual adjustments and policy discounts of approximately \$101.5 million for the year ended June 30, 2010. For the year ended June 30, 2010, approximately 47 percent of net patient service revenue was from Medicare and approximately 14 percent was from Medicaid/TennCare.

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

**8. Costs of Borrowing**

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

**9. Pension Plan**

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

**10. Compensated Absences**

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

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

**11. Risk Management**

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

**12. Net Assets**

All resources that are not restricted by donors are included in unrestricted net assets. Resources temporarily restricted by donors for specific purposes are reported as temporarily restricted net assets. When specific purposes are achieved, either through passage of a stipulated time or the purpose for restriction is accomplished, they are classified as unrestricted net assets and reported in the Statement of Revenues, Expenses, and Changes in Net Assets. Resources temporarily restricted by donors for additions to land, building, and

equipment are initially reported as temporarily restricted net assets and are transferred to unrestricted net assets when expended. Donor-imposed restrictions, which stipulate that the resources be maintained permanently, are reported as permanently restricted net assets. Investment income for the permanently restricted net assets is classified as either temporarily restricted or unrestricted based on the intent of the donor. At June 30, 2010, there were no permanently or temporarily restricted net assets.

**13. Income Taxes**

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

**14. Performance Indicator**

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

**15. Long-lived Assets**

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

**16. Use of Estimates**

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

**C. Third-party Reimbursement Programs**

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

resulting from tentative or final settlements to estimated reimbursement amounts resulted in an increase/(decrease) to revenue of approximately (\$116,000) for the year ended June 30, 2010.

**1. Medicare**

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

**2. Medicaid**

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

**3. TennCare**

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

**4. Commercial Payors**

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

**5. Credit Concentration**

The medical center grants credit to patients and generally does not require collateral or other security in extending credit; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies. At June 30, 2010, the medical center had receivables from the federal government (Medicare) of approximately \$2.6 million and from Medicaid/TennCare of approximately \$.85 million.

**D. Charity Care**

Charges excluded from revenue under the medical center's charity care policy were \$2,683,176 for the year ended June 30, 2010.

**E. Inventories**

A summary of inventories as of June 30, 2010, is as follows:

Medical stores	\$ 105,722
Dietary	32,828
Departmental	<u>1,709,881</u>
Total	<u>\$ 1,848,431</u>

**F. Property and Equipment**

The major classifications and changes in property and equipment as of and for the year ended June 30, 2010, are as follows:

	Balance 7-1-09	Additions/ Transfers	Placed in Service/ Retirements	Balance 6-30-10
Land	\$ 655,041	\$ 0	\$ 0	\$ 655,041
Land Improvements	1,217,875	911	0	1,218,786
Building and Improvements	47,448,777	489,336	0	47,938,113
Machinery and Equipment	26,517,045	2,107,375	(103,978)	28,520,442
<b>Total</b>	<b>\$ 75,838,738</b>	<b>\$ 2,597,622</b>	<b>\$ (103,978)</b>	<b>\$ 78,332,382</b>
Less Allowance for Depreciation and Amortization:				
Land Improvements	\$ (1,044,316)	\$ (37,700)	\$ 0	\$ (1,082,016)
Building and Improvements	(18,710,216)	(1,710,261)	0	(20,420,477)
Machinery and Equipment	(16,998,819)	(2,946,435)	103,978	(19,841,276)
<b>Total</b>	<b>\$ (36,753,351)</b>	<b>\$ (4,694,396)</b>	<b>\$ 103,978</b>	<b>\$ (41,343,769)</b>
Subtotal	\$ 39,085,387	\$ (2,096,774)	\$ 0	\$ 36,988,613
Construction in Progress	129,517	70,649	(59,784)	140,382
<b>Total Capital Assets, Net</b>	<b>\$ 39,214,904</b>	<b>\$ (2,026,125)</b>	<b>\$ (59,784)</b>	<b>\$ 37,128,995</b>

The medical center is in the process of constructing various expansions and additions to the existing facilities. The total cost of these projects is expected to be approximately \$342,000. No interest costs were capitalized during the year ended June 30, 2010.

#### **G. Long-term Debt**

A schedule of changes in the medical center's long-term debt as of and for the year ended June 30, 2010, is as follows:

	Balance 7-1-09	Additions	Reductions	Balance 6-30-10	Amounts Due Within One Year
Public Building Authority of the County of Montgomery, Tennessee - Series 1997	\$ 1,219,000	\$ 0	\$ (385,000)	\$ 834,000	\$ 406,000
Public Building Authority of the County of Montgomery, Tennessee - Series 2002	13,978,000	0	(497,000)	13,481,000	522,000
Other Debt	0	250,000	(93,750)	156,250	125,000
<b>Total</b>	<b>\$ 15,197,000</b>	<b>\$ 250,000</b>	<b>\$ (975,750)</b>	<b>\$ 14,471,250</b>	<b>\$ 1,053,000</b>

During September 1997, the medical center entered into a loan agreement with the Public Building Authority of the County of Montgomery, Tennessee, whereby, the authority loaned the medical center \$4,500,000 for the construction, acquisition, and enlargement of its buildings, structures, and facilities. As of June 30, 2010, the medical center had outstanding borrowings of \$834,000 under this agreement. The loan agreement bears interest at an adjustable rate (.52 percent as of June 30, 2010) and is due in annual installments varying between \$406,000 and \$428,000 through May 25, 2012. The adjustable interest rate is adjusted weekly as determined by the remarketing agent.

During June 2002, the medical center entered into an additional loan agreement with the Public Building Authority of the County of Montgomery, Tennessee, whereby, the authority agreed to loan the medical center up to \$16,500,000 for the construction, acquisition, and enlargement of its buildings and facilities. As of June 30, 2010, the medical center had outstanding borrowings of \$13,481,000 under this agreement. The loan agreement bears interest at an adjustable rate (.42 percent as of June 30, 2010) and is due in annual installments varying between \$522,000 and \$1,139,000 through May 25, 2027. The adjustable interest rate is adjusted daily as determined by the remarketing agent.

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

A summary of future maturities and interest of long-term debt, as of June 30, 2010, is as follows:

Year	Principal	Estimated Interest	Total Payments
2011	\$ 1,053,000	\$ 54,000	\$ 1,107,000
2012	1,007,250	49,000	1,056,250
2013	575,000	46,000	621,000
2014	604,000	44,000	648,000
2015	634,000	41,000	675,000
2016-2020	3,679,000	168,000	3,847,000
2021-2025	4,696,000	89,000	4,785,000
2026-2027	2,223,000	9,000	2,232,000
Total	\$ 14,471,250	\$ 500,000	\$ 14,971,250

## **H. Employee Benefit Plans**

### Pension Plan Description

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson

Building, Nashville, TN 37243-0230 or can be accessed at [www.tn.gov/treasury/tcrs/PS/](http://www.tn.gov/treasury/tcrs/PS/).

**I. Deferred Compensation Plans**

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

During 2010, the medical center implemented a physician call pay plan. The medical center made contributions to the plan of approximately \$190,000 during 2010. The plan had assets of approximately \$200,000 and a liability of approximately \$199,000 at June 30, 2010. The assets are included in other assets and the liability is included in other long-term liabilities in the accompanying Statement of Net Assets.

**J. Commitments and Contingencies**

The medical center leases various equipment under operating lease agreements. Rent expense was \$917,848 in 2010.

A summary of future minimum payments under these equipment leases as of June 30, 2010, is as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 569,000
2012	429,000
2013	208,000
2014	129,000
2015	29,000
2016 and later years	<u>2,000</u>
Total	<u>\$ 1,366,000</u>

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

The medical center is self-insured for a portion of employee medical and other healthcare benefits and workers' compensation claims. The risk of loss retained by the medical center is limited to \$130,000 and \$350,000 per occurrence for employee health and workers' compensation, respectively. The medical center has purchased excess insurance to provide coverage for claims in excess of the self-insured retention. Contributions by the medical center for employee health are based on actuarial estimates, while contributions for workers' compensation are based on actual claims experience. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include a provision for estimated claims incurred but not reported. Reserves included within accrued expenses related to employee medical and other healthcare benefits totaled \$850,000 in 2010. Reserves included within accrued expenses related to workers' compensation claims totaled \$484,867 in 2010.

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

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

The medical center serves as the guarantor on debt issued to the joint venture in which it holds a 50 percent interest. The balance of the debt as of June 30, 2010, was approximately \$207,000.

**K. Functional Expenses**

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

Healthcare services	\$ 42,841,662
General and administrative	<u>23,319,115</u>
Total	<u><u>\$ 66,160,777</u></u>

**L. Capital Lease Obligation**

During 2010, the medical center incurred a capital lease obligation of \$250,000 for an acquisition of property and equipment.

---

---

**REQUIRED SUPPLEMENTARY  
INFORMATION**

---

---

Exhibit E-1

Henry County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
General Fund  
For the Year Ended June 30, 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	\$ 4,521,501	\$ 0	\$ 0	\$ 4,521,501	\$ 4,664,960	\$ 4,664,960	\$ (143,459)
Licenses and Permits	126,885	0	0	126,885	127,000	127,000	(115)
Fines, Forfeitures, and Penalties	223,650	0	0	223,650	275,000	290,000	(66,350)
Charges for Current Services	148,860	0	0	148,860	119,770	123,770	25,090
Other Local Revenues	374,404	0	0	374,404	372,744	496,008	(121,604)
Fees Received from County Officials	1,432,526	0	0	1,432,526	1,505,000	1,505,000	(72,474)
State of Tennessee	1,997,213	0	0	1,997,213	2,386,162	2,348,368	(351,155)
Federal Government	290,506	0	0	290,506	24,000	371,504	(80,998)
Other Governments and Citizens Groups	95,964	0	0	95,964	6,400	111,900	(15,936)
Total Revenues	\$ 9,211,509	\$ 0	\$ 0	\$ 9,211,509	\$ 9,481,036	\$ 10,038,510	\$ (827,001)
<u>Expenditures</u>							
General Government							
County Commission	\$ 38,850	\$ 0	\$ 0	\$ 38,850	\$ 38,850	\$ 38,850	\$ 0
Board of Equalization	560	0	0	560	1,000	1,000	440
Other Boards and Committees	4,000	0	0	4,000	6,000	6,000	2,000
County Mayor/Executive	198,322	0	0	198,322	203,018	205,518	7,196
County Attorney	19,765	0	0	19,765	19,765	19,765	0
Election Commission	120,464	0	0	120,464	137,641	137,641	17,177
Register of Deeds	172,713	0	0	172,713	180,439	180,439	7,726
Building	75,720	0	0	75,720	81,828	81,828	6,108
County Buildings	138,547	0	0	138,547	161,000	161,000	22,453
Other General Administration	123,541	(1,015)	0	122,526	127,083	124,583	2,057
Preservation of Records	10,079	0	4,450	14,529	10,800	10,800	(3,729)

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original		
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Finance</u>							
Accounting and Budgeting	\$ 87,318	\$ 0	0	\$ 87,318	\$ 90,252	\$ 90,252	\$ 2,934
Property Assessor's Office	207,612	0	0	207,612	210,193	210,193	2,581
Reappraisal Program	82,730	0	0	82,730	89,944	89,944	7,214
County Trustee's Office	190,118	0	0	190,118	191,283	193,788	3,670
County Clerk's Office	218,860	0	400	219,260	227,277	227,277	8,017
<u>Administration of Justice</u>							
Circuit Court	210,782	(4,389)	2,313	208,706	215,282	215,282	6,576
General Sessions Court	104,742	0	0	104,742	104,743	104,743	1
General Sessions Judge	172,843	(446)	0	172,397	211,584	212,544	40,147
Chancery Court	163,653	0	0	163,653	175,533	176,487	12,834
Juvenile Court	197,007	(750)	0	196,257	207,570	207,570	11,313
Other Administration of Justice	2,352	0	0	2,352	10,000	10,000	7,648
<u>Public Safety</u>							
Sheriff's Department	1,815,693	(800)	209	1,815,102	1,862,853	1,862,853	47,751
Special Patrols	77,875	0	0	77,875	88,000	88,000	10,125
Jail	1,218,756	(995)	0	1,217,761	1,237,291	1,263,691	45,930
Fire Prevention and Control	33,200	0	0	33,200	33,200	33,200	0
Rescue Squad	4,800	0	0	4,800	4,800	4,800	0
Other Emergency Management	54,715	0	584	55,299	107,122	147,613	92,314
County Coroner/Medical Examiner	66,230	0	0	66,230	36,200	74,200	7,970
<u>Public Health and Welfare</u>							
Local Health Center	131,939	0	147	132,086	135,338	166,178	34,092
Rabies and Animal Control	10,162	(2,582)	2,420	10,000	10,000	10,000	0
Maternal and Child Health Services	1,350	0	0	1,350	1,350	1,350	0

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original		
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Public Health and Welfare (Cont.)</u>							
Alcohol and Drug Programs	\$ 10,361	\$ 0	\$ 0	\$ 10,361	\$ 15,540	\$ 15,540	\$ 5,179
Crippled Children Services	2,660	0	0	2,660	2,660	2,660	0
Other Local Health Services	20,200	0	0	20,200	20,200	20,200	0
Sanitation Management	20,048	0	0	20,048	19,028	20,128	80
<u>Social, Cultural, and Recreational Services</u>							
Adult Activities	107,596	0	0	107,596	117,121	117,121	9,525
Libraries	120,700	0	0	120,700	120,700	120,700	0
Parks and Fair Boards	6,000	0	0	6,000	6,000	6,000	0
Other Social, Cultural, and Recreational	32,391	0	0	32,391	32,500	34,100	1,709
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	124,556	0	0	124,556	138,149	138,649	14,093
Soil Conservation	31,261	0	0	31,261	31,274	31,274	13
Flood Control	21,808	0	0	21,808	21,808	21,808	0
<u>Other Operations</u>							
Tourism	26,550	0	0	26,550	26,550	26,550	0
Tourism-Resort District	446,881	(3,500)	5,000	448,381	704,892	704,892	256,511
Industrial Development	55,000	0	0	55,000	55,000	55,000	0
Airport	481,688	(85,007)	0	396,681	394,933	518,073	121,392
Veterans' Services	33,140	0	81	33,221	39,265	39,265	6,044
Other Charges	109,622	0	110	109,732	120,890	124,890	15,158
Contributions to Other Agencies	293,109	(6,050)	6,050	293,109	98,695	302,743	9,634
Employee Benefits	1,385,258	0	0	1,385,258	1,464,398	1,464,398	79,140
ARRA Grant # 1	0	0	0	0	0	3,000	3,000
ARRA Grant # 2	25,636	0	0	25,636	0	29,710	4,074

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	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>Other Operations (Cont.)</u>							
Miscellaneous	\$ 23,954	\$ 0	\$ 0	\$ 23,954	\$ 576,400	\$ 25,404	\$ 1,450
Total Expenditures	\$ 9,333,717	\$ (105,534)	\$ 21,764	\$ 9,249,947	\$ 10,223,242	\$ 10,179,494	\$ 929,547
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	\$ (122,208)	\$ 105,534	\$ (21,764)	\$ (38,438)	\$ (742,206)	\$ (140,984)	\$ 102,546
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 0	\$ 0	\$ 0	\$ 0	\$ 100	\$ 7,100	\$ (7,100)
Transfers In	0	0	0	0	100,000	0	0
Transfers Out	(554,973)	0	0	(554,973)	0	(568,900)	13,927
Total Other Financing Sources (Uses)	\$ (554,973)	\$ 0	\$ 0	\$ (554,973)	\$ 100,100	\$ (561,800)	\$ 6,827
Net Change in Fund Balance Fund Balance, July 1, 2009	\$ (677,181)	\$ 105,534	\$ (21,764)	\$ (593,411)	\$ (642,106)	\$ (702,784)	\$ 109,373
Fund Balance, July 1, 2009	3,556,959	(105,534)	0	3,451,425	3,510,312	3,510,312	(58,887)
Fund Balance, June 30, 2010	\$ 2,879,778	\$ 0	\$ (21,764)	\$ 2,858,014	\$ 2,868,206	\$ 2,807,528	\$ 50,486

Exhibit E-2

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<b>Revenues</b>						
Local Taxes	\$ 1,652,838	\$ 0	\$ 1,652,838	\$ 2,028,668	\$ 1,593,668	\$ 59,170
Other Local Revenues	52,641	0	52,641	29,200	29,200	23,441
State of Tennessee	2,172,748	0	2,172,748	2,391,474	2,546,140	(373,392)
Other Governments and Citizens Groups	5,000	0	5,000	0	5,000	0
<b>Total Revenues</b>	<b>\$ 3,883,227</b>	<b>\$ 0</b>	<b>\$ 3,883,227</b>	<b>\$ 4,449,342</b>	<b>\$ 4,174,008</b>	<b>\$ (290,781)</b>
<b>Expenditures</b>						
<u>Highways</u>						
Administration	\$ 270,349	\$ 0	\$ 270,349	\$ 275,192	\$ 276,792	\$ 6,443
Highway and Bridge Maintenance	1,330,535	0	1,330,535	1,598,705	1,599,005	268,470
Operation and Maintenance of Equipment	631,635	0	631,635	677,280	676,380	44,745
Quarry Operations	0	0	0	1,000	0	0
Litter and Trash Collection	34,681	0	34,681	34,680	34,681	0
Other Charges	205,487	0	205,487	228,127	228,127	22,640
Employee Benefits	503,930	0	503,930	547,811	547,811	43,881
Capital Outlay	2,249,841	16,575	2,266,416	3,297,219	3,044,345	777,929
<u>Principal on Debt</u>						
Highways and Streets	400,000	0	400,000	0	400,000	0
Interest on Debt						
Highways and Streets	3,597	0	3,597	0	3,597	0
<u>Other Debt Service</u>						
Highways and Streets	23,542	0	23,542	0	23,542	0
<b>Total Expenditures</b>	<b>\$ 5,653,597</b>	<b>\$ 16,575</b>	<b>\$ 5,670,172</b>	<b>\$ 6,660,014</b>	<b>\$ 6,834,280</b>	<b>\$ 1,164,108</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (1,770,370)</b>	<b>\$ (16,575)</b>	<b>\$ (1,786,945)</b>	<b>\$ (2,210,672)</b>	<b>\$ (2,660,272)</b>	<b>\$ 873,327</b>

(Continued)

Exhibit E-2

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

	Actual (GAAP Basis)	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>						
Other Loans Issued	\$ 1,201,414	0	\$ 1,201,414	\$ 1,500,000	\$ 1,519,600	\$ (318,186)
Insurance Recovery	29,249	0	29,249	0	0	29,249
Transfers In	436,073	0	436,073	5,000	435,000	1,073
Total Other Financing Sources (Uses)	\$ 1,666,736	0	\$ 1,666,736	\$ 1,505,000	\$ 1,954,600	\$ (287,864)
Net Change in Fund Balance Fund Balance, July 1, 2009	\$ (103,634)	(16,575)	\$ (120,209)	\$ (705,672)	\$ (705,672)	\$ 585,463
	1,968,780	0	1,968,780	705,672	705,672	1,263,108
Fund Balance, June 30, 2010	\$ 1,865,146	(16,575)	\$ 1,848,571	0	0	\$ 1,848,571

Exhibit E-3

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

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-09	\$ 59,383	\$ 68,720	9,337	86.41 %	\$ 30,498	30.61 %
7-1-07	54,541	61,013	6,472	89.93	27,436	23.59

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the frozen entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the frozen 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

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

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date*	Actuarial Value of Assets (a)	Actuarial 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	\$ 74	\$ 74	0%	\$ 1,096	7%
"	7-1-09	0	179	179	0	1,209	15
<u>DISCRETELY PRESENTED HENRY COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-07	0	6,224	6,224	0	12,894	48
"	7-1-09	0	4,871	4,871	0	10,505	46

\*Data only available for two actuarial valuations.

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

**A. BUDGETARY INFORMATION**

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

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

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

**B. CASH SHORTAGE – PRIOR YEAR**

As noted in the annual financial report for the year ended June 30, 2006, a cash shortage totaling \$162,658 existed in the General (\$118,878), Drug Control (\$23,502), and General Capital Projects (\$20,278) funds as a result of irregularities in the Office of Sheriff. Former Sheriff David Bumpus, former business manager Faye Scott, and former owner of Elite Firearms, Jason Ferren, all pled guilty to various charges and received various sentences and fines. The three defendants have been ordered to pay restitution totaling \$71,512. This amount is net of estimated auction proceeds of items recovered from David Bumpus. The actual auction proceeds received during the 2008-09 year totaled \$12,205. During the current audit period there had been no restitution received. As of June 30, 2010, the cash shortage totaled \$93,693, which included the General (\$49,913), Drug Control (\$23,502), and General Capital Projects (\$20,278) funds.

**C. EXPENDITURES EXCEEDED APPROPRIATIONS**

Expenditures exceeded appropriations approved by the County Commission in the Preservation of Records major appropriation category (the legal level of control) of the General Fund by \$3,729. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balance.

---

---

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

---

---

# Nonmajor Governmental Funds

## Special Revenue Funds

---

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

---

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

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

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

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

Special Revenue Funds					Total
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Nonmajor Governmental Funds	
\$	0 \$	0 \$	12,092 \$	12,092	12,092
	317,102	265,120	0	582,222	582,222
	19,342	0	0	19,342	19,342
	11,532	0	0	11,532	11,532
	306,997	0	0	306,997	306,997
	(6,165)	0	0	(6,165)	(6,165)
	0	23,502	0	23,502	23,502
\$	648,808 \$	288,622 \$	12,092 \$	949,522	949,522

ASSETS

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

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>					
Due to Other Funds	0 \$	0 \$	12,092 \$	12,092	12,092
Deferred Revenue - Current Property Taxes	288,354	0	0	288,354	288,354
Deferred Revenue - Delinquent Property Taxes	10,636	0	0	10,636	10,636
Other Deferred Revenues	9,756	0	0	9,756	9,756
Total Liabilities	308,746 \$	0 \$	12,092 \$	320,838	320,838
<u>Fund Balances</u>					
Reserved for Encumbrances	1,188 \$	0 \$	0 \$	1,188	1,188
Reserved for Purchase of Electronic Fingerprint Imaging System	0	22,778	0	22,778	22,778
Unreserved	338,874	265,844	0	604,718	604,718
Total Fund Balances	340,062 \$	288,622 \$	0 \$	628,684	628,684
Total Liabilities and Fund Balances	648,808 \$	288,622 \$	12,092 \$	949,522	949,522

Exhibit F-2

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

	Special Revenue Funds		
	Solid Waste / Sanitation	Drug Control	Total Nonmajor Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 300,580	\$ 10	\$ 300,590
Fines, Forfeitures, and Penalties	0	47,866	47,866
Other Local Revenues	204,169	17,284	221,453
State of Tennessee	23,844	0	23,844
Other Governments and Citizens Groups	0	6,248	6,248
Total Revenues	<u>\$ 528,593</u>	<u>\$ 71,408</u>	<u>\$ 600,001</u>
<u>Expenditures</u>			
Current:			
Public Safety	\$ 0	\$ 65,466	\$ 65,466
Public Health and Welfare	512,892	0	512,892
Other Operations	5,833	0	5,833
Total Expenditures	<u>\$ 518,725</u>	<u>\$ 65,466</u>	<u>\$ 584,191</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 9,868</u>	<u>\$ 5,942</u>	<u>\$ 15,810</u>
Net Change in Fund Balances	\$ 9,868	\$ 5,942	\$ 15,810
Fund Balance, July 1, 2009	330,194	282,680	612,874
Fund Balance, June 30, 2010	<u>\$ 340,062</u>	<u>\$ 288,622</u>	<u>\$ 628,684</u>

Exhibit F-3

Henry County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2010

	Actual (GAAP Basis)	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	\$ 300,580	\$ 0	\$ 300,580	\$ 306,872	\$ 306,872	\$ (6,292)
Other Local Revenues	204,169	0	204,169	170,600	170,600	33,569
State of Tennessee	23,844	0	23,844	33,600	33,600	(9,756)
Total Revenues	\$ 528,593	\$ 0	\$ 528,593	\$ 511,072	\$ 511,072	\$ 17,521
<u>Expenditures</u>						
<u>Public Health and Welfare</u>						
Sanitation Management	\$ 44,200	\$ 0	\$ 44,200	\$ 46,135	\$ 46,135	\$ 1,935
Recycling Center	388,152	1,188	389,340	449,044	449,044	59,704
Landfill Operation and Maintenance	49,460	0	49,460	60,000	60,000	10,540
Other Waste Disposal	31,080	0	31,080	33,600	33,600	2,520
<u>Other Operations</u>						
Other Charges	5,833	0	5,833	7,000	7,000	1,167
Total Expenditures	\$ 518,725	\$ 1,188	\$ 519,913	\$ 595,779	\$ 595,779	\$ 75,866
Excess (Deficiency) of Revenues Over Expenditures	\$ 9,868	\$ (1,188)	\$ 8,680	\$ (84,707)	\$ (84,707)	\$ 93,387
Net Change in Fund Balance Fund Balance, July 1, 2009	\$ 9,868	\$ (1,188)	\$ 8,680	\$ (84,707)	\$ (84,707)	\$ 93,387
	330,194	0	330,194	84,707	84,707	245,487
Fund Balance, June 30, 2010	\$ 340,062	\$ (1,188)	\$ 338,874	\$ 0	\$ 0	\$ 338,874

Exhibit F-4

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 10	\$ 1,000	\$ 1,000	\$ (990)
Fines, Forfeitures, and Penalties	47,866	48,100	48,100	(234)
Other Local Revenues	17,284	11,000	11,000	6,284
Other Governments and Citizens Groups	6,248	6,500	6,500	(252)
Total Revenues	<u>\$ 71,408</u>	<u>\$ 66,600</u>	<u>\$ 66,600</u>	<u>\$ 4,808</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 65,466	\$ 74,278	\$ 78,278	\$ 12,812
Total Expenditures	<u>\$ 65,466</u>	<u>\$ 74,278</u>	<u>\$ 78,278</u>	<u>\$ 12,812</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 5,942</u>	<u>\$ (7,678)</u>	<u>\$ (11,678)</u>	<u>\$ 17,620</u>
Net Change in Fund Balance	\$ 5,942	\$ (7,678)	\$ (11,678)	\$ 17,620
Fund Balance, July 1, 2009	<u>282,680</u>	<u>7,678</u>	<u>11,678</u>	<u>271,002</u>
Fund Balance, June 30, 2010	<u>\$ 288,622</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 288,622</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

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 728,786	\$ 738,236	\$ 738,236	\$ (9,450)
Other Local Revenues	289,037	250,000	250,000	39,037
Other Governments and Citizens Groups	1,574,905	0	1,574,905	0
Total Revenues	<u>\$ 2,592,728</u>	<u>\$ 988,236</u>	<u>\$ 2,563,141</u>	<u>\$ 29,587</u>
<u>Expenditures</u>				
<u>Other Operations</u>				
Other Charges	\$ 11,009	\$ 13,000	\$ 13,000	\$ 1,991
<u>Principal on Debt</u>				
General Government	903,312	881,315	916,316	13,004
Education	1,080,984	1,144,886	1,080,985	1
<u>Interest on Debt</u>				
General Government	38,332	80,400	65,230	26,898
Education	688,338	626,411	716,321	27,983
<u>Other Debt Service</u>				
General Government	6,791	9,000	9,000	2,209
Education	6,307	9,000	9,000	2,693
Total Expenditures	<u>\$ 2,735,073</u>	<u>\$ 2,764,012</u>	<u>\$ 2,809,852</u>	<u>\$ 74,779</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (142,345)</u>	<u>\$ (1,775,776)</u>	<u>\$ (246,711)</u>	<u>\$ 104,366</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 118,900	\$ 1,692,797	\$ 143,902	\$ (25,002)
Total Other Financing Sources (Uses)	<u>\$ 118,900</u>	<u>\$ 1,692,797</u>	<u>\$ 143,902</u>	<u>\$ (25,002)</u>
Net Change in Fund Balance	\$ (23,445)	\$ (82,979)	\$ (102,809)	\$ 79,364
Fund Balance, July 1, 2009	<u>3,016,241</u>	<u>3,028,391</u>	<u>3,028,391</u>	<u>(12,150)</u>
Fund Balance, June 30, 2010	<u><u>\$ 2,992,796</u></u>	<u><u>\$ 2,945,412</u></u>	<u><u>\$ 2,925,582</u></u>	<u><u>\$ 67,214</u></u>

# Fiduciary Funds

---

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

---

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

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

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

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

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

Exhibit H-1

Henry County, Tennessee  
 Combining Statement of Fiduciary Assets and Liabilities  
 Fiduciary Funds  
 For the Year Ended June 30, 2010

	Agency Funds					Total
	Cities - Sales Tax	Watershed District	Special School District	Constitu- tional Officers - Agency	Judicial District Drug	
Cash	\$ 0	\$ 0	\$ 0	\$ 1,033,222	\$ 2,337	\$ 1,035,559
Equity in Pooled Cash and Investments	0	1,606	187,257	0	95,142	284,005
Accounts Receivable	0	0	0	0	23,325	23,325
Due from Other Governments	592,307	0	271,850	0	12,351	876,508
Property Taxes Receivable	0	0	3,307,947	0	0	3,307,947
Allowance for Uncollectible Property Taxes	0	0	(66,000)	0	0	(66,000)
Total Assets	\$ 592,307	\$ 1,606	\$ 3,701,054	\$ 1,033,222	\$ 133,155	\$ 5,461,344
Due to Other Taxing Units	\$ 592,307	\$ 1,606	\$ 3,701,054	\$ 0	\$ 0	\$ 4,294,967
Due to Litigants, Heirs, and Others	0	0	0	1,033,222	0	1,033,222
Due to Joint Ventures	0	0	0	0	133,155	133,155
Total Liabilities	\$ 592,307	\$ 1,606	\$ 3,701,054	\$ 1,033,222	\$ 133,155	\$ 5,461,344

ASSETS

LIABILITIES

Exhibit H-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 2,731,431	\$ 2,731,431	\$ 0
Due from Other Governments	584,236	592,307	584,236	592,307
<b>Total Assets</b>	<b>\$ 584,236</b>	<b>\$ 3,323,738</b>	<b>\$ 3,315,667</b>	<b>\$ 592,307</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 584,236	\$ 3,323,738	\$ 3,315,667	\$ 592,307
<b>Total Liabilities</b>	<b>\$ 584,236</b>	<b>\$ 3,323,738</b>	<b>\$ 3,315,667</b>	<b>\$ 592,307</b>
<u>Watershed District Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 1,606	\$ 0	\$ 0	\$ 1,606
<b>Total Assets</b>	<b>\$ 1,606</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,606</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,606	\$ 0	\$ 0	\$ 1,606
<b>Total Liabilities</b>	<b>\$ 1,606</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,606</b>
<u>Special School District Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 195,807	\$ 911,592	\$ 920,142	\$ 187,257
Due from Other Governments	275,860	271,850	275,860	271,850
Property Taxes Receivable	3,349,962	3,307,947	3,349,962	3,307,947
Allowance for Uncollectible Property Taxes	(48,294)	(66,000)	(48,294)	(66,000)
<b>Total Assets</b>	<b>\$ 3,773,335</b>	<b>\$ 4,425,389</b>	<b>\$ 4,497,670</b>	<b>\$ 3,701,054</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 3,773,335	\$ 4,425,389	\$ 4,497,670	\$ 3,701,054
<b>Total Liabilities</b>	<b>\$ 3,773,335</b>	<b>\$ 4,425,389</b>	<b>\$ 4,497,670</b>	<b>\$ 3,701,054</b>

(Continued)

Exhibit H-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 890,559	\$ 8,314,031	\$ 8,171,368	\$ 1,033,222
Total Assets	\$ 890,559	\$ 8,314,031	\$ 8,171,368	\$ 1,033,222
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 890,559	\$ 8,314,031	\$ 8,171,368	\$ 1,033,222
Total Liabilities	\$ 890,559	\$ 8,314,031	\$ 8,171,368	\$ 1,033,222
<u>Judicial District Drug Fund</u>				
<u>Assets</u>				
Cash	\$ 0	\$ 2,337	\$ 0	\$ 2,337
Equity in Pooled Cash and Investments	225,233	509,325	639,416	95,142
Accounts Receivable	0	23,325	0	23,325
Due From Other Governments	0	12,351	0	12,351
Total Assets	\$ 225,233	\$ 547,338	\$ 639,416	\$ 133,155
<u>Liabilities</u>				
Due to Joint Ventures	\$ 225,233	\$ 547,338	\$ 639,416	\$ 133,155
Total Liabilities	\$ 225,233	\$ 547,338	\$ 639,416	\$ 133,155
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 890,559	\$ 8,316,368	\$ 8,171,368	\$ 1,035,559
Equity in Pooled Cash and Investments	422,646	4,152,348	4,290,989	284,005
Accounts Receivable	0	23,325	0	23,325
Due from Other Governments	860,096	876,508	860,096	876,508
Property Taxes Receivable	3,349,962	3,307,947	3,349,962	3,307,947
Allowance for Uncollectible Property Taxes	(48,294)	(66,000)	(48,294)	(66,000)
Total Assets	\$ 5,474,969	\$ 16,610,496	\$ 16,624,121	\$ 5,461,344
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 4,359,177	\$ 7,749,127	\$ 7,813,337	\$ 4,294,967
Due to Litigants, Heirs, and Others	890,559	8,314,031	8,171,368	1,033,222
Due to Joint Ventures	225,233	547,338	639,416	133,155
Total Liabilities	\$ 5,474,969	\$ 16,610,496	\$ 16,624,121	\$ 5,461,344

# Henry County School Department

---

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

---

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

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

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

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for building construction and renovations of the School Department.

Exhibit I-1

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

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Total
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 16,856,489	\$ 0	\$ 2,579,053	\$ (11,840,836)
Support Services	8,194,392	70,390	522,198	(7,601,804)
Operation of Non-Instructional Services	2,532,316	648,170	1,513,966	(370,180)
Interest on Long-term Debt	1,574,905	0	0	(1,574,905)
Total Governmental Activities	\$ 29,158,102	\$ 718,560	\$ 4,615,217	\$ (21,387,725)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 4,538,898
Local Option Sales Taxes				2,687,375
Business Tax				124,355
Other Local Taxes				1,854
Grants and Contributions Not Restricted to Specific Programs				15,697,262
Miscellaneous				87,666
Total General Revenues				\$ 23,137,410
Change in Net Assets				\$ 1,749,685
Net Assets, July 1, 2009				29,120,926
Net Assets, June 30, 2010				\$ 30,870,611

Exhibit I-2

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

	<u>Major Funds</u>		<u>Nonmajor Funds</u>	<u>Total</u>
	<u>General Purpose School</u>	<u>Education Capital Projects</u>	<u>Other Govern-mental Funds</u>	<u>Govern-mental Funds</u>
<b>ASSETS</b>				
Cash	\$ 0	\$ 0	\$ 800	\$ 800
Equity in Pooled Cash and Investments	3,084,852	2,436,600	526,058	6,047,510
Due from Other Governments	1,410,916	0	59,188	1,470,104
Due from Other Funds	21,604	0	3,984	25,588
Property Taxes Receivable	4,837,182	0	0	4,837,182
Allowance for Uncollectible Property Taxes	(97,129)	0	0	(97,129)
<b>Total Assets</b>	<b>\$ 9,257,425</b>	<b>\$ 2,436,600</b>	<b>\$ 590,030</b>	<b>\$ 12,284,055</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<u>Liabilities</u>				
Accounts Payable	\$ 499,388	\$ 0	\$ 24,261	\$ 523,649
Accrued Payroll	3,898	0	0	3,898
Contracts Payable	235,144	0	0	235,144
Retainage Payable	12,376	0	0	12,376
Due to Other Funds	0	0	21,604	21,604
Deferred Revenue - Current Property Taxes	4,543,435	0	0	4,543,435
Deferred Revenue - Delinquent Property Taxes	167,601	0	0	167,601
Other Deferred Revenues	493,391	0	18,072	511,463
<b>Total Liabilities</b>	<b>\$ 5,955,233</b>	<b>\$ 0</b>	<b>\$ 63,937</b>	<b>\$ 6,019,170</b>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 46,817	\$ 2,659,147	\$ 40,787	\$ 2,746,751
Other Local Education Reserves	80,855	0	0	80,855
Reserved for Driver Education	21,684	0	0	21,684
Reserved for Basic Education Program	28,603	0	0	28,603
Other State Education Reserves	20,283	0	0	20,283
Reserved for Special Education - Grants to States	0	0	858	858
Other Federal Reserves	0	0	8	8
Unreserved, Reported In:				
General Fund	3,103,950	0	0	3,103,950
Special Revenue Funds	0	0	484,440	484,440
Capital Projects Fund (Deficit)	0	(222,547)	0	(222,547)
<b>Total Fund Balances</b>	<b>\$ 3,302,192</b>	<b>\$ 2,436,600</b>	<b>\$ 526,093</b>	<b>\$ 6,264,885</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 9,257,425</b>	<b>\$ 2,436,600</b>	<b>\$ 590,030</b>	<b>\$ 12,284,055</b>

Exhibit I-3

Henry County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets  
Discretely Presented Henry County School Department  
June 30, 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)		\$	6,264,885
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	610,066	
Add: construction in progress		787,632	
Add: buildings and improvements net of accumulated depreciation		22,059,077	
Add: other capital assets net of accumulated depreciation		<u>1,604,399</u>	25,061,174
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			679,064
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: compensated absences payable	\$	(60,340)	
Less: other postemployment benefits liability		<u>(1,074,172)</u>	<u>(1,134,512)</u>
Net assets of governmental activities (Exhibit A)			<u>\$ 30,870,611</u>

## Exhibit I-4

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

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Education</u>	<u>Funds</u>	
			<u>Other</u>	
	<u>Purpose</u>	<u>Capital</u>	<u>Govern-</u>	<u>Governmental</u>
	<u>School</u>	<u>Projects</u>	<u>mental</u>	<u>Funds</u>
			<u>Funds</u>	<u>Funds</u>
<u>Revenues</u>				
Local Taxes	\$ 7,423,379	\$ 0	\$ 0	\$ 7,423,379
Licenses and Permits	1,753	0	0	1,753
Charges for Current Services	69,470	0	647,764	717,234
Other Local Revenues	183,295	0	6,213	189,508
State of Tennessee	15,896,666	0	16,389	15,913,055
Federal Government	385,227	0	3,634,308	4,019,535
Other Governments and Citizens Groups	0	2,436,600	0	2,436,600
Total Revenues	<u>\$ 23,959,790</u>	<u>\$ 2,436,600</u>	<u>\$ 4,304,674</u>	<u>\$ 30,701,064</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 13,179,318	\$ 0	\$ 1,865,838	\$ 15,045,156
Support Services	8,031,381	0	572,768	8,604,149
Operation of Non-Instructional Services	668,754	0	1,828,533	2,497,287
Capital Outlay	986,641	0	0	986,641
Debt Service:				
Interest on Debt	1,574,905	0	0	1,574,905
Total Expenditures	<u>\$ 24,440,999</u>	<u>\$ 0</u>	<u>\$ 4,267,139</u>	<u>\$ 28,708,138</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>\$ (481,209)</u>	<u>\$ 2,436,600</u>	<u>\$ 37,535</u>	<u>\$ 1,992,926</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 49,917	\$ 0	\$ 3,984	\$ 53,901
Transfers In	21,604	0	0	21,604
Transfers Out	0	0	(21,604)	(21,604)
Total Other Financing Sources (Uses)	<u>\$ 71,521</u>	<u>\$ 0</u>	<u>\$ (17,620)</u>	<u>\$ 53,901</u>
Net Change in Fund Balances	\$ (409,688)	\$ 2,436,600	\$ 19,915	\$ 2,046,827
Fund Balance, July 1, 2009	<u>3,711,880</u>	<u>0</u>	<u>506,178</u>	<u>4,218,058</u>
Fund Balance, June 30, 2010	<u>\$ 3,302,192</u>	<u>\$ 2,436,600</u>	<u>\$ 526,093</u>	<u>\$ 6,264,885</u>

Exhibit I-5

Henry County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Discretely Presented Henry County School Department  
For the Year Ended June 30, 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)		\$ 2,046,827
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets acquired in the current period	\$ 1,656,637	
Less: current year depreciation expense	<u>(1,973,267)</u>	(316,630)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2010	\$ 679,064	
Less: deferred delinquent property taxes and other deferred June 30, 2009	<u>(472,341)</u>	206,723
(3) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in compensated absences payable	\$ 5,661	
Change in other postemployment benefits liability	<u>(192,896)</u>	<u>(187,235)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 1,749,685</u>

Exhibit I-6

Henry County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Discretely Presented Henry County School Department  
June 30, 2010

	<u>Special Revenue Funds</u>		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 800	\$ 800
Equity in Pooled Cash and Investments	5,023	521,035	526,058
Due from Other Governments	24,352	34,836	59,188
Due from Other Funds	0	3,984	3,984
Total Assets	<u>\$ 29,375</u>	<u>\$ 560,655</u>	<u>\$ 590,030</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 6,905	\$ 17,356	\$ 24,261
Due to Other Funds	21,604	0	21,604
Other Deferred Revenues	0	18,072	18,072
Total Liabilities	<u>\$ 28,509</u>	<u>\$ 35,428</u>	<u>\$ 63,937</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 0	\$ 40,787	\$ 40,787
Reserved for Special Education - Grants to States	858	0	858
Other Federal Reserves	8	0	8
Unreserved	0	484,440	484,440
Total Fund Balances	<u>\$ 866</u>	<u>\$ 525,227</u>	<u>\$ 526,093</u>
Total Liabilities and Fund Balances	<u>\$ 29,375</u>	<u>\$ 560,655</u>	<u>\$ 590,030</u>

Exhibit I-7

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

	Special Revenue Funds		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 647,764	\$ 647,764
Other Local Revenues	0	6,213	6,213
State of Tennessee	0	16,389	16,389
Federal Government	2,451,007	1,183,301	3,634,308
Total Revenues	<u>\$ 2,451,007</u>	<u>\$ 1,853,667</u>	<u>\$ 4,304,674</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,865,838	\$ 0	\$ 1,865,838
Support Services	572,768	0	572,768
Operation of Non-Instructional Services	0	1,828,533	1,828,533
Total Expenditures	<u>\$ 2,438,606</u>	<u>\$ 1,828,533</u>	<u>\$ 4,267,139</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 12,401</u>	<u>\$ 25,134</u>	<u>\$ 37,535</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 0	\$ 3,984	\$ 3,984
Transfers Out	(21,604)	0	(21,604)
Total Other Financing Sources (Uses)	<u>\$ (21,604)</u>	<u>\$ 3,984</u>	<u>\$ (17,620)</u>
Net Change in Fund Balances	\$ (9,203)	\$ 29,118	\$ 19,915
Fund Balance, July 1, 2009	10,069	496,109	506,178
Fund Balance, June 30, 2010	<u>\$ 866</u>	<u>\$ 525,227</u>	<u>\$ 526,093</u>

Exhibit I-8

Henry County, Tennessee  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance - Actual (Budgetary Basis) and Budget  
 Discreetly Presented Henry 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	
<b>Revenues</b>							
Local Taxes	\$ 7,423,379	\$ 0	\$ 0	\$ 7,423,379	\$ 7,337,247	\$ 7,332,122	\$ 91,257
Licenses and Permits	1,753	0	0	1,753	2,200	2,200	(447)
Charges for Current Services	69,470	0	0	69,470	58,246	58,647	10,823
Other Local Revenues	183,295	0	0	183,295	272,050	275,745	(92,450)
State of Tennessee	15,896,666	0	0	15,896,666	16,007,071	16,185,118	(288,452)
Federal Government	385,227	0	0	385,227	533,885	533,885	(148,658)
<b>Total Revenues</b>	<b>\$ 23,959,790</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 23,959,790</b>	<b>\$ 24,210,699</b>	<b>\$ 24,387,717</b>	<b>\$ (427,927)</b>
<b>Expenditures</b>							
<b>Instruction</b>							
Regular Instruction Program	\$ 10,536,989	\$ (25,277)	\$ 36,742	\$ 10,548,454	\$ 10,671,342	\$ 10,687,402	\$ 138,948
Alternative Instruction Program	150,267	0	0	150,267	180,277	160,771	10,504
Special Education Program	1,444,019	0	0	1,444,019	1,465,182	1,463,679	19,660
Vocational Education Program	796,787	0	199	796,986	836,534	827,074	30,888
Adult Education Program	251,256	0	0	251,256	316,206	319,332	68,076
<b>Support Services</b>							
Attendance	220,404	0	0	220,404	276,344	276,344	55,940
Health Services	276,150	(150)	0	276,000	293,766	290,916	14,916
Other Student Support	583,926	(128)	0	583,798	578,481	574,096	(9,702)
Regular Instruction Program	890,925	(420)	562	891,067	942,517	967,356	76,289
Alternative Instruction Program	84,532	0	0	84,532	89,609	89,746	5,214
Special Education Program	110,485	0	0	110,485	119,937	114,501	4,016
Vocational Education Program	45,205	0	0	45,205	65,979	66,136	20,931
Other Programs	157,529	0	0	157,529	0	157,529	0

(Continued)

Exhibit I-8

Henry County, Tennessee  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance - Actual (Budgetary Basis) and Budget  
 Discreetly Presented Henry 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>							
Board of Education	\$ 425,140	\$ 0	\$ 0	\$ 425,140	\$ 444,127	\$ 441,225	\$ 16,085
Director of Schools	265,701	0	0	265,701	287,318	292,693	26,992
Office of the Principal	1,205,947	(1,820)	563	1,204,690	1,254,684	1,258,862	54,172
Fiscal Services	101,943	0	0	101,943	98,459	118,283	16,340
Operation of Plant	1,391,869	0	0	1,391,869	1,523,265	1,524,665	132,796
Maintenance of Plant	519,358	(268)	835	519,925	551,383	559,844	39,919
Transportation	1,752,267	(243,977)	1,949	1,510,239	1,548,561	1,552,545	42,306
<u>Operation of Non-Instructional Services</u>							
Community Services	420,158	(17,589)	5,967	408,536	577,824	574,700	166,164
Early Childhood Education	248,596	0	0	248,596	285,868	287,844	39,248
<u>Capital Outlay</u>							
Regular Capital Outlay	986,641	(1,800)	0	984,841	221,400	1,228,585	243,744
Principal on Debt	0	0	0	0	957,486	0	0
Education							
Interest on Debt							
Education	1,574,905	0	0	1,574,905	591,411	1,574,906	1
Total Expenditures	\$ 24,440,999	\$ (291,429)	\$ 46,817	\$ 24,196,387	\$ 24,177,960	\$ 25,409,034	\$ 1,212,647
Excess (Deficiency) of Revenues Over Expenditures	\$ (481,209)	\$ 291,429	\$ (46,817)	\$ (236,597)	\$ 32,739	\$ (1,021,317)	\$ 784,720
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 49,917	\$ 0	\$ 0	\$ 49,917	\$ 20,000	\$ 31,459	\$ 18,458
Transfers In	21,604	0	0	21,604	21,000	21,000	604
Total Other Financing Sources (Uses)	\$ 71,521	\$ 0	\$ 0	\$ 71,521	\$ 41,000	\$ 52,459	\$ 19,062
Net Change in Fund Balance Fund Balance, July 1, 2009	\$ (409,688)	\$ 291,429	\$ (46,817)	\$ (165,076)	\$ 73,739	\$ (968,858)	\$ 803,782
Fund Balance, July 1, 2009	3,711,880	(291,429)	0	3,420,451	3,426,531	3,426,531	(6,080)
Fund Balance, June 30, 2010	\$ 3,302,192	\$ 0	\$ (46,817)	\$ 3,255,375	\$ 3,500,270	\$ 2,457,673	\$ 797,702

Exhibit I-9

Henry County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Henry County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 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>						
Federal Government	\$ 2,451,007	0	\$ 2,451,007	\$ 3,248,880	\$ 3,364,494	\$ (913,487)
Total Revenues	\$ 2,451,007	0	\$ 2,451,007	\$ 3,248,880	\$ 3,364,494	\$ (913,487)
<b>Expenditures</b>						
<b>Instruction</b>						
Regular Instruction Program	\$ 1,107,360	0	\$ 1,107,360	\$ 1,135,854	\$ 1,157,313	\$ 49,953
Special Education Program	702,288	0	702,288	958,145	1,031,657	329,369
Vocational Education Program	56,190	0	56,190	58,343	57,440	1,250
Support Services						
Attendance	27,810	0	27,810	40,900	40,900	13,090
Other Student Support	40,206	0	40,206	261,933	256,217	216,011
Regular Instruction Program	189,988	0	189,988	224,872	237,632	47,644
Special Education Program	184,181	0	184,181	252,051	274,695	90,514
Vocational Education Program	2,010	0	2,010	3,000	4,000	1,990
Transportation	128,573	(87,624)	40,949	194,598	194,598	153,649
Total Expenditures	\$ 2,438,606	\$ (87,624)	\$ 2,350,982	\$ 3,129,696	\$ 3,254,452	\$ 903,470
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	\$ 12,401	\$ 87,624	\$ 100,025	\$ 119,184	\$ 110,042	\$ (10,017)
<b>Other Financing Sources (Uses)</b>						
Transfers In	0	0	0	113,326	0	0
Transfers Out	(21,604)	0	(21,604)	(144,887)	(31,970)	10,366
Total Other Financing Sources (Uses)	\$ (21,604)	0	\$ (21,604)	\$ (31,561)	\$ (31,970)	\$ 10,366
<b>Net Change in Fund Balance Fund Balance, July 1, 2009</b>	\$ (9,203)	\$ 87,624	\$ 78,421	\$ 87,623	\$ 78,072	\$ 349
	10,069	(87,624)	(77,555)	0	0	(77,555)
<b>Fund Balance, June 30, 2010</b>	\$ 866	\$ 0	\$ 866	\$ 87,623	\$ 78,072	\$ (77,206)

Exhibit I-10

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 647,764	\$ 0	\$ 647,764	\$ 704,096	\$ 704,096	\$ (56,332)
Other Local Revenues	6,213	0	6,213	7,142	7,142	(929)
State of Tennessee	16,389	0	16,389	16,358	16,358	31
Federal Government	1,183,301	0	1,183,301	991,523	1,108,439	74,862
Total Revenues	\$ 1,853,667	\$ 0	\$ 1,853,667	\$ 1,719,119	\$ 1,836,035	\$ 17,632
<u>Expenditures</u>						
<u>Operation of Non-Instructional Services</u>						
Food Service	\$ 1,828,533	\$ 40,787	\$ 1,869,320	\$ 1,706,974	\$ 1,967,672	\$ 98,352
Total Expenditures	\$ 1,828,533	\$ 40,787	\$ 1,869,320	\$ 1,706,974	\$ 1,967,672	\$ 98,352
Excess (Deficiency) of Revenues Over Expenditures	\$ 25,134	\$ (40,787)	\$ (15,653)	\$ 12,145	\$ (131,637)	\$ 115,984
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 3,984	\$ 0	\$ 3,984	\$ 0	\$ 0	\$ 3,984
Total Other Financing Sources (Uses)	\$ 3,984	\$ 0	\$ 3,984	\$ 0	\$ 0	\$ 3,984
Net Change in Fund Balance Fund Balance, July 1, 2009	\$ 29,118	\$ (40,787)	\$ (11,669)	\$ 12,145	\$ (131,637)	\$ 119,968
	496,109	0	496,109	477,443	477,443	18,666
Fund Balance, June 30, 2010	\$ 525,227	\$ (40,787)	\$ 484,440	\$ 489,588	\$ 345,806	\$ 138,634

---

---

## MISCELLANEOUS SCHEDULES

---

---

Exhibit J-1

Henry County, Tennessee  
Schedule of Changes in Long-term Notes, Other Loans, and Bonds  
For the Year Ended June 30, 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	Outstanding 6-30-10
<b>NOTES PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
Jail Renovation Projects	\$ 190,000	5.125 %	10-14-1999	10-14-09	\$ 19,000	\$ 0	\$ 19,000	\$ 0
School Energy Efficiency Improvement	499,872	0	2-2-07	2-15-14	357,052	0	71,410	285,642
Jail Renovation Projects	300,000	3.9	11-26-07	11-26-10	211,700	0	111,700	100,000
Right-of-Way and Utility Relocation	500,000	3.74	6-17-08	6-17-18	457,686	0	43,897	413,789
Airport Industrial Building	960,000	0	8-6-08	7-31-18	960,000	0	0	960,000
Solid Waste Baier	80,000	3.85	9-24-08	9-24-13	80,000	0	16,000	64,000
General Improvement Projects	233,715	1.97	9-21-09	6-30-10	0	233,715	233,715	0
Emergency Services Complex	426,000	3.99	11-4-09	11-4-21	0	426,000	0	426,000
Total Notes Payable					\$ 2,085,438	\$ 659,715	\$ 495,722	\$ 2,249,431
<b>OTHER LOANS PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
Grove School/Campus Renovation	3,000,000	Variable	5-17-1996	5-25-15	\$ 1,291,100	\$ 0	\$ 187,400	\$ 1,103,700
Jail Renovation Projects	4,944,998	Variable	5-25-1999	5-25-14	1,236,998	0	479,000	757,998
Total Payable through General Debt Service Fund					\$ 2,528,098	\$ 0	\$ 666,400	\$ 1,861,698
<u>Payable through Highway/Public Works Fund</u>								
Road Improvements	(1)	Variable	8-25-09	5-25-15	\$ 0	\$ 1,201,414	\$ 400,000	\$ 801,414
Total Payable through Highway/Public Works Fund					\$ 0	\$ 1,201,414	\$ 400,000	\$ 801,414
Total Other Loans Payable					\$ 2,528,098	\$ 1,201,414	\$ 1,066,400	\$ 2,663,112
<b>BONDS PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
School, Series 2001B (CAB) (2)	3,693,361	4.6 to 5.2	3-1-01	5-1-21	\$ 3,672,621	\$ 0	\$ 307,174	\$ 3,365,447
School, Rural Series 2003	6,600,000	4.25 to 4.6	1-1-03	5-1-25	6,600,000	0	0	6,600,000
School, Refunding Series 2005	5,790,000	3 to 3.85	5-27-05	5-1-18	5,645,000	0	515,000	5,130,000
School, Series 2010	2,500,000	1.6 to 4.25	1-22-10	5-1-26	0	2,500,000	0	2,500,000
Total Bonds Payable					\$ 15,917,621	\$ 2,500,000	\$ 822,174	\$ 17,595,447

(1) Total amount available for draws from the Montgomery County Public Building Authority is \$2,800,000, of which Henry County has drawn \$1,201,414.

(2) These (CAB) bonds accrete interest that is paid at bond maturity. As of June 30, 2010, interest of \$1,954,776 has accreted on the bonds.

Exhibit J-2

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

Year Ending June 30	Notes		
	Principal	Interest	Total
2011	\$ 371,316	\$ 38,837	\$ 410,153
2012	284,152	31,486	315,638
2013	287,095	27,926	315,021
2014	290,152	24,253	314,405
2015	205,916	20,463	226,379
2016	209,212	17,167	226,379
2017	212,635	13,744	226,379
2018	214,244	10,190	224,434
2019	48,793	6,572	55,365
2020	40,341	5,024	45,365
2021	41,951	3,414	45,365
2022	43,624	1,741	45,365
<b>Total</b>	<b>\$ 2,249,431</b>	<b>\$ 200,817</b>	<b>\$ 2,450,248</b>

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2011	\$ 833,800	\$ 13,207	\$ 8,649	\$ 855,656
2012	818,598	9,062	5,909	833,569
2013	483,100	5,005	3,259	491,364
2014	282,614	2,703	1,985	287,302
2015	245,000	1,274	980	247,254
<b>Total</b>	<b>\$ 2,663,112</b>	<b>\$ 31,251</b>	<b>\$ 20,782</b>	<b>\$ 2,715,145</b>

Year Ending June 30	Bonds		
	Principal	Interest	Total
2011	\$ 868,931	\$ 746,397	\$ 1,615,328
2012	872,438	744,782	1,617,220
2013	880,447	736,803	1,617,250
2014	885,341	731,064	1,616,405
2015	898,169	726,240	1,624,409
2016	1,168,040	712,930	1,880,970
2017	1,195,910	690,460	1,886,370
2018	971,633	907,387	1,879,020
2019	642,109	1,263,746	1,905,855
2020	607,815	1,296,115	1,903,930
2021	1,299,614	597,391	1,897,005
2022	1,575,000	320,665	1,895,665
2023	1,650,000	250,968	1,900,968
2024	1,720,000	177,172	1,897,172
2025	1,800,000	99,400	1,899,400
2026	560,000	23,800	583,800
<b>Total</b>	<b>\$ 17,595,447</b>	<b>\$ 10,025,320</b>	<b>\$ 27,620,767</b>

Exhibit J-3

Henry County, Tennessee  
Schedule of Transfers  
Primary Government and Discretely Presented Henry 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>PRIMARY GOVERNMENT</u>			
General	Highway/Public Works	Net wheel tax revenue	\$ 436,073
General	General Debt Service	Debt payments	<u>118,900</u>
Total Transfers Primary Government			<u>\$ 554,973</u>
<u>DISCRETELY PRESENTED HENRY</u> <u>COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 21,604</u>

Exhibit J-4

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 71,322	\$ 50,000	RLI Insurance Company
County Road Supervisor	Section 8-24-102, <u>TCA</u>	67,927	100,000	"
Director of Schools:				
John Hinson (7-1-09 through 12-31-09)	State Board of Education and County Board of Education	55,002	-	
Stacy Byrd (1-1-10 through 3-31-10)	State Board of Education and County Board of Education	27,000	-	
Sam Miles (4-1-10 through 6-30-10)	State Board of Education and County Board of Education	30,914	50,000	Western Surety Company
Trustee	Section 8-24-102, <u>TCA</u>	61,751	1,000,000	RLI Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	61,751	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	61,751	50,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	61,751	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	61,751 (1)	60,000	"
Register	and Chancery Court Judge			
Sheriff	Section 8-24-102, <u>TCA</u>	61,751	25,000	RLI Insurance Company
	Section 8-24-102, <u>TCA</u>	67,927 (2)	25,000	CNA Surety Company
Employee Blanket Bonds:				
Offices of County Mayor and County Road Supervisor			150,000	Tennessee Risk Management Trust
Office of Director of Schools			150,000	"

(1) Does not include special commissioner fees of \$2,886.

(2) Does not include a \$600 law enforcement training supplement.

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

	Special Revenue Funds							Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works		Debt Service	Capital Projects			
<u>Local Taxes</u>										
<u>County Property Taxes</u>										
Current Property Tax	\$ 2,501,391	\$ 265,058	\$ 0	\$ 1,457,828	\$ 132,534	\$ 0	\$ 0	\$ 4,356,811		
Trustee's Collections - Prior Year	80,750	7,965	0	43,778	3,677	0	0	136,170		
Trustee's Collections - Bankruptcy	7,122	774	0	4,212	368	0	0	12,476		
Circuit/Clerk & Master Collections - Prior Years	11,541	1,259	0	6,731	629	0	0	20,160		
Interest and Penalty	19,279	2,106	0	11,495	1,098	0	0	33,978		
Pick-up Taxes	408	45	0	245	22	0	0	720		
Payments in-Lieu-of Taxes - Local Utilities	39,061	4,261	0	23,436	2,131	0	0	68,889		
Payments in-Lieu-of Taxes - Other	0	8,662	0	47,642	4,331	0	0	60,635		
<u>County Local Option Taxes</u>										
Local Option Sales Tax	576,528	0	0	0	0	0	0	576,528		
Hotel/Motel Tax	222,832	0	0	0	0	0	0	222,832		
Wheel Tax	440,478	0	0	0	543,272	0	0	983,750		
Litigation Tax - General	108,243	0	0	0	0	0	0	108,243		
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	35,500	0	0	35,500		
Business Tax	56,043	7,881	0	43,343	3,940	0	0	111,207		
<u>Statutory Local Taxes</u>										
Bank Excise Tax	23,547	2,569	0	14,128	1,284	0	0	41,528		
Wholesale Beer Tax	432,544	0	0	0	0	0	0	432,544		
Interstate Telecommunications Tax	1,734	0	0	0	0	0	0	1,734		
Other Statutory Local Taxes	0	0	10	0	0	0	0	10		
Total Local Taxes	\$ 4,521,501	\$ 300,580	\$ 10	\$ 1,652,838	\$ 728,786	\$ 0	\$ 0	\$ 7,203,715		
<u>Licenses and Permits</u>										
<u>Licenses</u>										
Animal Registration	\$ 11,136	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,136		
Cable TV Franchise	115,749	0	0	0	0	0	0	115,749		
Total Licenses and Permits	\$ 126,885	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 126,885		

(Continued)

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

	General	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
		Solid Waste / Sanitation	Drug Control	Highway / Public Works	Debt Service Fund				
					General	Debt Service			
<u>Fines, Forfeitures, and Penalties</u>									
<u>Circuit Court</u>									
Fines	\$ 6,903	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	6,903	
Officers Costs	4,023	0	0	0	0	0	0	4,023	
Drug Control Fines	4,853	0	11,550	0	0	0	0	16,403	
DUI Treatment Fines	285	0	0	0	0	0	0	285	
Data Entry Fee - Circuit Court	608	0	0	0	0	0	0	608	
Courtroom Security Fee	196	0	0	0	0	0	0	196	
<u>General Sessions Court</u>									
Fines	65,247	0	0	0	0	0	0	65,247	
Fines for Littering	238	0	0	0	0	0	0	238	
Officers Costs	70,225	0	0	0	0	0	0	70,225	
Game and Fish Fines	1,845	0	0	0	0	0	0	1,845	
Drug Control Fines	4,176	0	14,402	0	0	0	0	18,578	
Drug Court Fees	7,506	0	2,412	0	0	0	0	9,918	
Jail Fees	2,099	0	0	0	0	0	0	2,099	
DUI Treatment Fines	8,219	0	0	0	0	0	0	8,219	
Data Entry Fee - General Sessions Court	6,444	0	0	0	0	0	0	6,444	
Courtroom Security Fee	730	0	0	0	0	0	0	730	
Victims Assistance Assessments	30,595	0	0	0	0	0	0	30,595	
<u>Juvenile Court</u>									
Fines	3,723	0	0	0	0	0	0	3,723	
<u>Chancery Court</u>									
Officers Costs	1,796	0	0	0	0	0	0	1,796	
Data Entry Fee - Chancery Court	1,055	0	0	0	0	0	0	1,055	
<u>Other Courts - In-county</u>									
Fines	2,884	0	0	0	0	0	0	2,884	
<u>Other Fines, Forfeitures, and Penalties</u>									
Proceeds from Confiscated Property	0	0	16,624	0	0	0	0	16,624	
Other Fines, Forfeitures, and Penalties	0	0	2,878	0	0	0	0	2,878	
Total Fines, Forfeitures, and Penalties	\$ 223,650	\$ 0	\$ 47,866	\$ 0	\$ 0	\$ 0	\$ 0	\$ 271,516	

(Continued)

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

	Special Revenue Funds										Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	Debt Service Fund		Capital Projects Fund		Debt Service Fund	Capital Projects	
					General	Debt Service	General	Capital Projects			
<b>Charges for Current Services</b>											
<u>General Service Charges</u>											
Sale of Electricity	\$ 28,165	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 28,165
Work Release Charges for Board Fees	9,340	0	0	0	0	0	0	0	0	0	9,340
Airport Fees	24,586	0	0	0	0	0	0	0	0	0	24,586
Copy Fees	1,770	0	0	0	0	0	0	0	0	0	1,770
Greenbelt Late Application Fee	3,600	0	0	0	0	0	0	0	0	0	3,600
Telephone Commissions	43,471	0	0	0	0	0	0	0	0	0	43,471
Vending Machine Collections	354	0	0	0	0	0	0	0	0	0	354
Data Processing Fee - Register	11,126	0	0	0	0	0	0	0	0	0	11,126
Data Processing Fee - Sheriff	15,900	0	0	0	0	0	0	0	0	0	15,900
Sexual Offender Registration Fees - Sheriff	1,800	0	0	0	0	0	0	0	0	0	1,800
Data Processing Fee - County Clerk	2,648	0	0	0	0	0	0	0	0	0	2,648
Education Charges											
Tuition - Other	6,100	0	0	0	0	0	0	0	0	0	6,100
<b>Total Charges for Current Services</b>	<b>\$ 148,860</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 148,860</b>
<b>Other Local Revenues</b>											
<u>Recurring Items</u>											
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 225,365	\$ 0	\$ 0	\$ 0	\$ 0	\$ 225,365
Lease/Rentals	5,754	0	0	1,200	0	55,025	0	0	0	0	61,979
Commissary Sales	44,741	0	0	0	0	0	0	0	0	0	44,741
Sale of Gasoline	212,074	0	0	49,246	0	0	0	0	0	0	261,320
Sale of Recycled Materials	0	204,169	0	0	0	0	0	0	0	0	204,169
Miscellaneous Refunds	11,344	0	3,819	2,195	0	8,647	0	0	0	0	26,005
<u>Nonrecurring Items</u>											
Sale of Equipment	3,848	0	13,465	0	0	0	0	0	0	0	17,313
Sale of Property	2,353	0	0	0	0	0	0	0	0	0	2,353
Damages Recovered from Individuals	1,415	0	0	0	0	0	0	0	0	0	1,415
Performance Bond Forfeitures	29,131	0	0	0	0	0	0	0	0	0	29,131

(Continued)

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

	General	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total	
		Solid Waste / Sanitation	Drug Control	Highway / Public Works	Debt Service Fund					Capital Projects
					General	Debt Service				
<u>Other Local Revenues (Cont.)</u>										
<u>Other Local Revenues</u>										
Other Local Revenues	\$ 63,744	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 63,744		
Total Other Local Revenues	\$ 374,404	\$ 204,169	\$ 17,284	\$ 52,641	\$ 289,037	\$ 0	\$ 0	\$ 937,535		
<u>Fees Received from County Officials</u>										
<u>Fees in-Lieu-of Salary</u>										
County Clerk	\$ 484,990	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 484,990		
Circuit Court Clerk	98,324	0	0	0	0	0	0	98,324		
General Sessions Court Clerk	209,457	0	0	0	0	0	0	209,457		
Clerk and Master	67,203	0	0	0	0	0	0	67,203		
Register	127,657	0	0	0	0	0	0	127,657		
Sheriff	8,588	0	0	0	0	0	0	8,588		
Trustee	436,307	0	0	0	0	0	0	436,307		
Total Fees Received from County Officials	\$ 1,432,526	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,432,526		
<u>State of Tennessee</u>										
<u>General Government Grants</u>										
Juvenile Services Program	\$ 9,300	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,300		
Airport Maintenance Program	161,288	0	0	0	0	0	0	161,288		
Aging Programs	35,792	0	0	0	0	0	0	35,792		
State Reappraisal Grant	12,562	0	0	0	0	0	0	12,562		
Solid Waste Grants	0	23,844	0	0	0	0	0	23,844		
Public Safety Grants										
Law Enforcement Training Programs	18,000	0	0	0	0	0	0	18,000		
Other Public Safety Grants	6,945	0	0	0	0	0	0	6,945		
Health and Welfare Grants										
Other Health and Welfare Grants	59,912	0	0	0	0	0	0	59,912		
Public Works Grants										
State Aid Program	0	0	0	287,938	0	0	0	287,938		
Litter Program	0	0	0	40,281	0	0	0	40,281		

(Continued)

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

	Special Revenue Funds							Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	Debt Service Fund		Capital Projects			
					General	Debt Service				
<u>State of Tennessee (Cont.)</u>										
<u>Other State Revenues</u>										
Resort District Sales Tax	\$ 863,294	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 863,294	
Beer Tax	17,778	0	0	0	0	0	0	0	17,778	
Alcoholic Beverage Tax	56,993	0	0	0	0	0	0	0	56,993	
Mixed Drink Tax	13,106	0	0	0	0	0	0	0	13,106	
Prisoner Transportation	2,785	0	0	0	0	0	0	0	2,785	
Contracted Prisoner Boarding	715,451	0	0	0	0	0	0	0	715,451	
Gasoline and Motor Fuel Tax	0	0	0	1,819,541	0	0	0	0	1,819,541	
Petroleum Special Tax	0	0	0	24,988	0	0	0	0	24,988	
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	16,380	
Other State Grants	0	0	0	0	0	0	6,133	0	6,133	
Other State Revenues	7,627	0	0	0	0	0	0	0	7,627	
<b>Total State of Tennessee</b>	<b>\$ 1,997,213</b>	<b>\$ 23,844</b>	<b>\$ 0</b>	<b>\$ 2,172,748</b>	<b>\$ 0</b>	<b>\$ 6,133</b>	<b>\$ 0</b>	<b>\$ 4,199,938</b>		
<u>Federal Government</u>										
<u>Federal Through State</u>										
Civil Defense Reimbursement	\$ 23,491	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 23,491	
Homeland Security Grants	45,431	0	0	0	0	0	0	0	45,431	
ARRA Grant # B	25,636	0	0	0	0	0	0	0	25,636	
<u>Direct Federal Revenue</u>										
Other Direct Federal Revenue	195,948	0	0	0	0	0	0	0	195,948	
<b>Total Federal Government</b>	<b>\$ 290,506</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 290,506</b>		
<u>Other Governments and Citizens Groups</u>										
<u>Other Governments</u>										
Contributions	\$ 89,753	\$ 0	\$ 0	\$ 5,000	\$ 1,574,905	\$ 5,708	\$ 5,708	\$ 1,675,366		
Contracted Services	6,211	0	6,248	0	0	0	0	12,459		
<b>Total Other Governments and Citizens Groups</b>	<b>\$ 95,964</b>	<b>\$ 0</b>	<b>\$ 6,248</b>	<b>\$ 5,000</b>	<b>\$ 1,574,905</b>	<b>\$ 5,708</b>	<b>\$ 5,708</b>	<b>\$ 1,687,825</b>		
<b>Total</b>	<b>\$ 9,211,509</b>	<b>\$ 528,593</b>	<b>\$ 71,408</b>	<b>\$ 3,883,227</b>	<b>\$ 2,592,728</b>	<b>\$ 11,841</b>	<b>\$ 16,299,306</b>			

## Exhibit J-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 4,175,993	\$ 0	\$ 0	\$ 0	\$ 4,175,993
Trustee's Collections - Prior Year	126,065	0	0	0	126,065
Trustee's Collections - Bankruptcy	12,222	0	0	0	12,222
Circuit/Clerk & Master Collections - Prior Years	22,057	0	0	0	22,057
Interest and Penalty	33,305	0	0	0	33,305
Pick-up Taxes	782	0	0	0	782
Payments in-Lieu-of Taxes - T.V.A.	3,201	0	0	0	3,201
Payments in-Lieu-of Taxes - Local Utilities	67,141	0	0	0	67,141
Payments in-Lieu-of Taxes - Other	136,691	0	0	0	136,691
<u>County Local Option Taxes</u>					
Local Option Sales Tax	2,679,240	0	0	0	2,679,240
Business Tax	124,355	0	0	0	124,355
<u>Statutory Local Taxes</u>					
Bank Excise Tax	40,475	0	0	0	40,475
Interstate Telecommunications Tax	1,852	0	0	0	1,852
Total Local Taxes	\$ 7,423,379	\$ 0	\$ 0	\$ 0	\$ 7,423,379
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 1,753	\$ 0	\$ 0	\$ 0	\$ 1,753
Total Licenses and Permits	\$ 1,753	\$ 0	\$ 0	\$ 0	\$ 1,753
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Lunch Payments - Children	\$ 0	\$ 0	\$ 308,956	\$ 0	\$ 308,956
Lunch Payments - Adults	0	0	53,245	0	53,245
Income from Breakfast	0	0	47,285	0	47,285
A la carte Sales	0	0	238,278	0	238,278
Receipts from Individual Schools	44,367	0	0	0	44,367
Community Service Fees - Children	271	0	0	0	271
Community Service Fees - Adults	135	0	0	0	135
<u>Other Charges for Services</u>					
Other Charges for Services	24,697	0	0	0	24,697
Total Charges for Current Services	\$ 69,470	\$ 0	\$ 647,764	\$ 0	\$ 717,234
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 4,340	\$ 0	\$ 4,340
Lease/Rentals	250	0	0	0	250
Sale of Materials and Supplies	4,059	0	0	0	4,059
Miscellaneous Refunds	86,365	0	1,680	0	88,045
<u>Nonrecurring Items</u>					
Sale of Equipment	0	0	193	0	193
Damages Recovered from Individuals	1,649	0	0	0	1,649
Contributions and Gifts	89,896	0	0	0	89,896
<u>Other Local Revenues</u>					
Other Local Revenues	1,076	0	0	0	1,076
Total Other Local Revenues	\$ 183,295	\$ 0	\$ 6,213	\$ 0	\$ 189,508

(Continued)

Exhibit J-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-Behalf Contributions for OPEB	\$ 157,529	\$ 0	\$ 0	\$ 0	\$ 157,529
<u>State Education Funds</u>					
Basic Education Program	12,971,599	0	0	0	12,971,599
Basic Education Program - ARRA	571,400	0	0	0	571,400
Early Childhood Education	78,091	0	0	0	78,091
School Food Service	0	0	16,389	0	16,389
Driver Education	14,138	0	0	0	14,138
Other State Education Funds	14,338	0	0	0	14,338
Coordinated School Health - ARRA	123,038	0	0	0	123,038
Family Resource Centers - ARRA	33,300	0	0	0	33,300
Statewide Student Management System (SSMS) - ARRA	7,793	0	0	0	7,793
Career Ladder Program	120,961	0	0	0	120,961
<u>Other State Revenues</u>					
Income Tax	78,510	0	0	0	78,510
Mixed Drink Tax	8,890	0	0	0	8,890
State Revenue Sharing - T.V.A.	1,557,110	0	0	0	1,557,110
Other State Grants	151,030	0	0	0	151,030
Safe Schools - ARRA	8,839	0	0	0	8,839
Other State Revenues	100	0	0	0	100
Total State of Tennessee	\$ 15,896,666	\$ 0	\$ 16,389	\$ 0	\$ 15,913,055
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 777,143	\$ 0	\$ 777,143
USDA - Commodities	0	0	91,916	0	91,916
Breakfast	0	0	289,242	0	289,242
USDA - Other	45,554	0	0	0	45,554
USDA Food Service Equipment Grant - ARRA	0	0	25,000	0	25,000
Adult Education State Grant Program	219,494	0	0	0	219,494
Vocational Education - Basic Grants to States	0	84,802	0	0	84,802
Other Vocational	4,000	0	0	0	4,000
Title I Grants to Local Education Agencies	0	1,035,593	0	0	1,035,593
Special Education - Grants to States	0	956,100	0	0	956,100
Special Education Preschool Grants	15,179	59,826	0	0	75,005
English Language Acquisition Grants	0	2,324	0	0	2,324
Safe and Drug-free Schools - State Grants	0	39,308	0	0	39,308
Rural Education	0	70,436	0	0	70,436
Education for Homeless Children and Youth	0	1,339	0	0	1,339
Eisenhower Professional Development State Grants	0	178,261	0	0	178,261
Other Federal through State	101,000	23,018	0	0	124,018
Total Federal Government	\$ 385,227	\$ 2,451,007	\$ 1,183,301	\$ 0	\$ 4,019,535
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 0	\$ 0	\$ 2,436,600	\$ 2,436,600
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 2,436,600	\$ 2,436,600
Total	\$ 23,959,790	\$ 2,451,007	\$ 1,853,667	\$ 2,436,600	\$ 30,701,064

Exhibit J-7

Henry 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	\$	27,000	
Dues and Memberships		1,850	
Travel		10,000	
Total County Commission			\$ 38,850

Board of Equalization

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

Other Boards and Committees

Board and Committee Members Fees	\$	4,000	
Total Other Boards and Committees			4,000

County Mayor/Executive

County Official/Administrative Officer	\$	71,322	
Secretary(ies)		29,865	
Custodial Personnel		37,314	
Maintenance Personnel		42,070	
Part-time Personnel		4,000	
Dues and Memberships		1,650	
Operating Lease Payments		2,178	
Maintenance and Repair Services - Office Equipment		252	
Postal Charges		387	
Travel		6,499	
Office Supplies		1,922	
In Service/Staff Development		863	
Total County Mayor/Executive			198,322

County Attorney

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

Election Commission

County Official/Administrative Officer	\$	55,148	
Deputy(ies)		26,507	
Election Commission		1,815	
Election Workers		9,214	
Dues and Memberships		175	
Maintenance Agreements		16,470	
Maintenance and Repair Services - Office Equipment		58	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Postal Charges	\$	2,969	
Printing, Stationery, and Forms		2,111	
Rentals		300	
Travel		2,909	
Office Supplies		1,941	
Office Equipment		847	
Total Election Commission			\$ 120,464

Register of Deeds

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		83,781	
Dues and Memberships		607	
Postal Charges		1,000	
Printing, Stationery, and Forms		477	
Travel		788	
Data Processing Supplies		14,680	
Duplicating Supplies		2,148	
Office Supplies		501	
Other Charges		447	
Office Equipment		6,533	
Total Register of Deeds			172,713

Building

Maintenance Personnel	\$	24,055	
Part-time Personnel		5,423	
Communication		236	
Maintenance and Repair Services - Buildings		7,172	
Other Contracted Services		1,500	
Custodial Supplies		4,646	
Utilities		32,688	
Total Building			75,720

County Buildings

Communication	\$	55,046	
Natural Gas		25,679	
Utilities		57,822	
Total County Buildings			138,547

Other General Administration

Maintenance and Repair Services - Buildings	\$	23,595	
---	----	--------	--

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Other General Administration (Cont.)

Maintenance and Repair Services - Equipment	\$	800	
Custodial Supplies		4,829	
Other Supplies and Materials		180	
Building and Contents Insurance		93,783	
Other Charges		354	
Total Other General Administration			\$ 123,541

Preservation of Records

Part-time Personnel	\$	7,279	
Other Supplies and Materials		800	
Other Charges		2,000	
Total Preservation of Records			10,079

Finance

Accounting and Budgeting

Supervisor/Director	\$	44,781	
Deputy(ies)		28,184	
Data Processing Services		7,618	
Operating Lease Payments		1,764	
Maintenance and Repair Services - Office Equipment		30	
Postal Charges		1,769	
Travel		72	
Data Processing Supplies		1,900	
Office Supplies		948	
In Service/Staff Development		252	
Total Accounting and Budgeting			87,318

Property Assessor's Office

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		130,296	
Data Processing Services		6,000	
Dues and Memberships		1,295	
Operating Lease Payments		4,151	
Maintenance and Repair Services - Office Equipment		380	
Postal Charges		1,760	
Travel		298	
Office Supplies		1,334	
Other Supplies and Materials		147	
Other Charges		200	
Total Property Assessor's Office			207,612

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program

Deputy(ies)	\$	26,944	
Contracts with Private Agencies		39,060	
Data Processing Services		4,874	
Operating Lease Payments		120	
Maintenance and Repair Services - Vehicles		1,239	
Postal Charges		7,406	
Gasoline		1,847	
Other Charges		1,240	
Total Reappraisal Program			\$ 82,730

County Trustee's Office

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		82,546	
Part-time Personnel		567	
Data Processing Services		25,063	
Dues and Memberships		707	
Operating Lease Payments		2,392	
Legal Notices, Recording, and Court Costs		385	
Maintenance and Repair Services - Office Equipment		155	
Postal Charges		10,284	
Printing, Stationery, and Forms		2,501	
Travel		1,999	
Office Supplies		968	
In Service/Staff Development		800	
Total County Trustee's Office			190,118

County Clerk's Office

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		124,978	
Data Processing Services		14,834	
Dues and Memberships		632	
Operating Lease Payments		4,623	
Postal Charges		8,000	
Travel		1,658	
Duplicating Supplies		313	
Office Supplies		1,436	
In Service/Staff Development		461	
Other Charges		174	
Total County Clerk's Office			218,860

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		83,631	
Part-time Personnel		7,302	
Jury and Witness Expense		6,696	
Data Processing Services		18,233	
Dues and Memberships		577	
Maintenance and Repair Services - Office Equipment		1,684	
Postal Charges		5,846	
Office Supplies		15,379	
Other Charges		700	
Data Processing Equipment		1,889	
Furniture and Fixtures		3,910	
Office Equipment		3,184	
Total Circuit Court			\$ 210,782

General Sessions Court

Deputy(ies)	\$	104,742	
Total General Sessions Court			104,742

General Sessions Judge

Judge(s)	\$	137,348	
Secretary(ies)		16,526	
Dues and Memberships		910	
Travel		2,008	
Periodicals		1,581	
Other Charges		13,510	
Office Equipment		960	
Total General Sessions Judge			172,843

Chancery Court

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		78,672	
Data Processing Services		6,242	
Dues and Memberships		652	
Legal Notices, Recording, and Court Costs		108	
Maintenance and Repair Services - Office Equipment		1,954	
Postal Charges		6,000	
Travel		441	
Data Processing Supplies		999	
Office Supplies		6,580	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Other Charges	\$ 254	
Total Chancery Court		\$ 163,653

Juvenile Court

Deputy(ies)	\$ 29,865	
Probation Officer(s)	77,638	
Youth Service Officer(s)	37,987	
Part-time Personnel	22,805	
Communication	5,848	
Contracts with Other Public Agencies	11,552	
Data Processing Services	4,800	
Dues and Memberships	203	
Maintenance and Repair Services - Vehicles	150	
Postal Charges	660	
Travel	1,908	
Data Processing Supplies	64	
Gasoline	789	
Office Supplies	2,285	
Other Supplies and Materials	191	
Other Charges	262	
Total Juvenile Court		197,007

Other Administration of Justice

Legal Services	\$ 2,352	
Total Other Administration of Justice		2,352

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 67,927
Assistant(s)	46,581
Supervisor/Director	33,256
Deputy(ies)	437,214
Investigator(s)	202,647
Lieutenant(s)	41,742
Sergeant(s)	354,678
Salary Supplements	18,000
Dispatchers/Radio Operators	109,092
Clerical Personnel	54,650
Attendants	28,515
Maintenance Personnel	7,630

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Temporary Personnel	\$	16,912	
Overtime Pay		15,897	
Other Salaries and Wages		35,399	
Communication		4,964	
Data Processing Services		20,419	
Dues and Memberships		2,350	
Operating Lease Payments		2,903	
Maintenance and Repair Services - Buildings		5,795	
Maintenance and Repair Services - Equipment		6,121	
Maintenance and Repair Services - Office Equipment		90	
Maintenance and Repair Services - Vehicles		29,490	
Postal Charges		3,000	
Tow-in Services		810	
Travel		9,798	
Other Contracted Services		4,800	
Custodial Supplies		3,649	
Gasoline		96,512	
Law Enforcement Supplies		6,917	
Office Supplies		15,749	
Tires and Tubes		6,381	
Uniforms		14,430	
Utilities		89,049	
Other Supplies and Materials		4,987	
In Service/Staff Development		5,853	
Other Charges		11,486	
Total Sheriff's Department			\$ 1,815,693

Special Patrols

Nightwatchmen	\$	77,875	
Total Special Patrols			77,875

Jail

Deputy(ies)	\$	64,884	
Captain(s)		43,763	
Lieutenant(s)		41,742	
Guards		633,337	
Cafeteria Personnel		27,273	
Maintenance Personnel		30,521	
Temporary Personnel		5,976	
Part-time Personnel		7,092	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Overtime Pay	\$	19,812	
Other Salaries and Wages		29,563	
Data Processing Services		1,000	
Maintenance and Repair Services - Buildings		12,963	
Maintenance and Repair Services - Equipment		3,272	
Maintenance and Repair Services - Office Equipment		399	
Maintenance and Repair Services - Vehicles		1,169	
Medical and Dental Services		47,416	
Transportation - Other than Students		2,904	
Travel		3,455	
Custodial Supplies		18,147	
Drugs and Medical Supplies		25,148	
Food Preparation Supplies		3,046	
Food Supplies		161,393	
Prisoners Clothing		5,571	
Uniforms		13,132	
Other Supplies and Materials		4,755	
In Service/Staff Development		1,005	
Other Charges		10,018	
Total Jail			\$ 1,218,756

Fire Prevention and Control

Contributions	\$	33,200	
Total Fire Prevention and Control			33,200

Rescue Squad

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

Other Emergency Management

Supervisor/Director	\$	17,811	
Social Security		1,104	
State Retirement		1,352	
Employer Medicare		258	
Communication		3,424	
Maintenance and Repair Services - Buildings		358	
Maintenance and Repair Services - Equipment		336	
Maintenance and Repair Services - Vehicles		848	
Travel		1,891	
Utilities		1,200	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management (Cont.)

Other Supplies and Materials	\$	1,266	
Other Charges		24,867	
Total Other Emergency Management			\$ 54,715

County Coroner/Medical Examiner

Other Per Diem and Fees	\$	18,025	
Other Contracted Services		47,903	
Gasoline		302	
Total County Coroner/Medical Examiner			66,230

Public Health and Welfare

Local Health Center

Medical Personnel	\$	39,882	
Part-time Personnel		8,460	
Other Salaries and Wages		12,631	
Social Security		3,790	
State Retirement		2,525	
Medical Insurance		10,231	
Unemployment Compensation		849	
Employer Medicare		886	
Communication		1,512	
Contracts with Government Agencies		23,000	
Dues and Memberships		261	
Maintenance and Repair Services - Buildings		6,890	
Maintenance and Repair Services - Office Equipment		1,436	
Postal Charges		414	
Travel		929	
Custodial Supplies		4,500	
Drugs and Medical Supplies		2,303	
Office Supplies		2,779	
Other Charges		8,661	
Total Local Health Center			131,939

Rabies and Animal Control

Contracts with Other Public Agencies	\$	10,162	
Total Rabies and Animal Control			10,162

Maternal and Child Health Services

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

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Alcohol and Drug Programs

Contributions	\$ 6,540	
Drug Treatment	3,821	
Total Alcohol and Drug Programs		\$ 10,361

Crippled Children Services

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

Other Local Health Services

Contributions	\$ 19,000	
Other Supplies and Materials	1,200	
Total Other Local Health Services		20,200

Sanitation Management

Contracts with Private Agencies	\$ 20,048	
Total Sanitation Management		20,048

Social, Cultural, and Recreational Services

Adult Activities

Supervisor/Director	\$ 24,918	
Social Workers	17,243	
Bus Drivers	9,337	
Part-time Personnel	16,104	
Other Salaries and Wages	10,050	
Social Security	4,866	
Handling Charges and Administrative Costs	1,290	
State Retirement	1,991	
Unemployment Compensation	1,470	
Employer Medicare	1,138	
Communication	861	
Maintenance and Repair Services - Office Equipment	746	
Maintenance and Repair Services - Vehicles	954	
Postal Charges	1,291	
Printing, Stationery, and Forms	897	
Travel	4,212	
Other Contracted Services	4,496	
Gasoline	1,904	
Office Supplies	1,594	
Other Charges	2,234	
Total Adult Activities		107,596

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries

Contributions	\$ 120,700	
Total Libraries		\$ 120,700

Parks and Fair Boards

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

Other Social, Cultural, and Recreational

Contributions	\$ 32,391	
Total Other Social, Cultural, and Recreational		32,391

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$ 59,016	
Secretary(ies)	7,352	
Part-time Personnel	9,313	
Social Security	3,700	
State Retirement	7,603	
Employer Medicare	215	
Communication	2,164	
Operating Lease Payments	2,398	
Postal Charges	300	
Rentals	10,000	
Travel	4,000	
Custodial Supplies	5,475	
Office Supplies	697	
Utilities	10,515	
Other Charges	808	
Data Processing Equipment	1,000	
Total Agriculture Extension Service		124,556

Soil Conservation

Secretary(ies)	\$ 26,944	
Social Security	1,671	
State Retirement	2,045	
Unemployment Compensation	210	
Employer Medicare	391	
Total Soil Conservation		31,261

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Flood Control

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

Other Operations

Tourism

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

Tourism-Resort District

Contributions	\$ 446,881	
Total Tourism-Resort District		446,881

Industrial Development

Contributions	\$ 55,000	
Total Industrial Development		55,000

Airport

Supervisor/Director	\$ 35,934	
Part-time Personnel	14,987	
Other Salaries and Wages	23,341	
Social Security	4,556	
State Retirement	4,502	
Employer Medicare	1,071	
Communication	1,745	
Dues and Memberships	225	
Maintenance and Repair Services - Buildings	5,999	
Maintenance and Repair Services - Equipment	22,092	
Maintenance and Repair Services - Vehicles	523	
Travel	800	
Remittance of Revenue Collected	10,886	
Other Contracted Services	3,600	
Diesel Fuel	929	
Gasoline	193,980	
Office Supplies	365	
Utilities	14,925	
Liability Insurance	3,750	
Other Charges	2,703	
Airport Improvement	134,775	
Total Airport		481,688

(Continued)

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services

County Official/Administrative Officer	\$	29,085	
Dues and Memberships		55	
Maintenance and Repair Services - Vehicles		63	
Postal Charges		320	
Transportation - Other than Students		360	
Travel		373	
Gasoline		2,004	
Office Supplies		880	
Total Veterans' Services			\$ 33,140

Other Charges

Advertising	\$	799	
Audit Services		9,335	
Dues and Memberships		9,376	
Pest Control		7,520	
Other Supplies and Materials		1,933	
Premiums on Corporate Surety Bonds		2,776	
Trustee's Commission		77,883	
Total Other Charges			109,622

Contributions to Other Agencies

Contributions	\$	15,550	
Matching Share		50,645	
Remittance of Revenue Collected		226,914	
Total Contributions to Other Agencies			293,109

Employee Benefits

Longevity Pay	\$	16,600	
Social Security		261,400	
State Retirement		299,014	
Medical Insurance		623,195	
Unemployment Compensation		38,335	
Employer Medicare		61,555	
Workers' Compensation Insurance		85,159	
Total Employee Benefits			1,385,258

ARRA Grant # B

Law Enforcement Equipment	\$	25,636	
Total ARRA Grant # B			25,636

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous

Other Contracted Services	\$ 14,051	
Other Charges	5,500	
Land	4,403	
Total Miscellaneous		\$ 23,954

Total General Fund \$ 9,333,717

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$ 31,765	
Social Security	1,969	
State Retirement	2,411	
Medical Insurance	5,336	
Unemployment Compensation	270	
Employer Medicare	461	
Advertising	50	
Dues and Memberships	211	
Postal Charges	107	
Travel	1,471	
Office Supplies	149	
Total Sanitation Management		\$ 44,200

Recycling Center

Foremen	\$ 29,512
Truck Drivers	179,380
Longevity Pay	300
Overtime Pay	63
Social Security	12,767
State Retirement	15,855
Medical Insurance	48,025
Unemployment Compensation	2,478
Employer Medicare	2,986
Communication	2,570
Freight Expenses	13,605
Maintenance and Repair Services - Buildings	2,699
Maintenance and Repair Services - Equipment	11,236
Maintenance and Repair Services - Vehicles	7,190
Pest Control	160
Tow-in Services	85

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Recycling Center (Cont.)

Custodial Supplies	\$	394	
Drugs and Medical Supplies		72	
Food Supplies		3,903	
Gasoline		29,768	
Natural Gas		401	
Office Supplies		111	
Small Tools		558	
Tires and Tubes		4,972	
Utilities		9,488	
Wire		2,375	
Other Supplies and Materials		2,345	
Other Charges		4,854	
Total Recycling Center			\$ 388,152

Landfill Operation and Maintenance

Contracts with Government Agencies	\$	49,460	
Total Landfill Operation and Maintenance			49,460

Other Waste Disposal

Disposal Fees	\$	31,080	
Total Other Waste Disposal			31,080

Other Operations

Other Charges

Trustee's Commission	\$	5,833	
Total Other Charges			5,833

Total Solid Waste/Sanitation Fund \$ 518,725

Drug Control Fund

Public Safety

Drug Enforcement

Part-time Personnel	\$	11,332	
Social Security		703	
Employer Medicare		164	
Communication		594	
Contracts with Government Agencies		3,095	
Confidential Drug Enforcement Payments		9,000	
Dues and Memberships		680	
Maintenance Agreements		12,496	

(Continued)

Exhibit J-7

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Maintenance and Repair Services - Equipment	\$	830	
Maintenance and Repair Services - Vehicles		449	
Rentals		2,500	
Tow-in Services		2,800	
Travel		2,328	
Other Contracted Services		1,000	
Animal Food and Supplies		3,746	
Gasoline		992	
Law Enforcement Supplies		1,904	
Natural Gas		59	
Utilities		296	
Trustee's Commission		483	
In Service/Staff Development		1,665	
Other Charges		6,385	
Law Enforcement Equipment		1,965	
Total Drug Enforcement			\$ 65,466

Total Drug Control Fund \$ 65,466

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	67,927
Assistant(s)		32,926
Guards		62,389
Secretary(ies)		56,809
Custodial Personnel		5,921
Part-time Personnel		3,700
Other Salaries and Wages		23,450
Board and Committee Members Fees		7,260
Maintenance and Repair Services - Buildings		1,844
Maintenance and Repair Services - Office Equipment		817
Postal Charges		998
Printing, Stationery, and Forms		731
Travel		835
Permits		2,080
Custodial Supplies		400
Drugs and Medical Supplies		674
Office Supplies		791
In Service/Staff Development		645

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Other Charges	\$ 152	
Total Administration		\$ 270,349

Highway and Bridge Maintenance

Equipment Operators	\$ 380,819	
Truck Drivers	283,073	
Laborers	146,025	
Overtime Pay	15,883	
Rentals	2,674	
Other Contracted Services	80,272	
Asphalt - Hot Mix	49,830	
Asphalt - Liquid	51,255	
Concrete	4,321	
Crushed Stone	233,212	
Fertilizer, Lime, and Seed	500	
General Construction Materials	1,210	
Other Road Supplies	870	
Pipe	60,779	
Road Signs	13,997	
Sand	24	
Small Tools	556	
Wood Products	2,576	
Other Charges	2,659	
Total Highway and Bridge Maintenance		1,330,535

Operation and Maintenance of Equipment

Mechanic(s)	\$ 175,214
Overtime Pay	4,938
Maintenance and Repair Services - Equipment	17,953
Tow-in Services	215
Other Contracted Services	25,892
Diesel Fuel	158,943
Equipment and Machinery Parts	121,572
Garage Supplies	1,353
Gasoline	42,571
Ice	1,194
Lubricants	13,494
Propane Gas	154
Small Tools	2,499
Tires and Tubes	43,809

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Other Supplies and Materials	\$	20,562	
Other Charges		1,272	
Total Operation and Maintenance of Equipment			\$ 631,635

Litter and Trash Collection

Educational Assistants	\$	4,196	
Other Salaries and Wages		19,440	
Handling Charges and Administrative Costs		946	
Instructional Supplies and Materials		4,643	
Library Books/Media		2,198	
Other Charges		3,258	
Total Litter and Trash Collection			34,681

Other Charges

Communication	\$	6,311	
Data Processing Services		6,000	
Dues and Memberships		3,014	
Evaluation and Testing		1,264	
Legal Notices, Recording, and Court Costs		480	
Data Processing Supplies		450	
Utilities		16,417	
Water and Sewer		1,001	
Premiums on Corporate Surety Bonds		800	
Trustee's Commission		50,371	
Vehicle and Equipment Insurance		15,000	
Workers' Compensation Insurance		102,845	
Other Self-Insured Claims		661	
Other Charges		873	
Total Other Charges			205,487

Employee Benefits

Salary Supplements	\$	16,658	
Social Security		78,787	
State Retirement		87,305	
Medical Insurance		284,639	
Unemployment Compensation		17,965	
Employer Medicare		18,576	
Total Employee Benefits			503,930

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay

Engineering Services	\$ 10,975	
Bridge Construction	3,451	
Building Improvements	4,962	
Highway Construction	1,702,168	
Highway Equipment	162,767	
Motor Vehicles	29,378	
Office Equipment	1,063	
Plant Operation Equipment	5,412	
State Aid Projects	329,665	
Total Capital Outlay		\$ 2,249,841

Principal on Debt

Highways and Streets

Principal on Other Loans	\$ 400,000	
Total Highways and Streets		400,000

Interest on Debt

Highways and Streets

Interest on Other Loans	\$ 3,597	
Total Highways and Streets		3,597

Other Debt Service

Highways and Streets

Other Debt Issuance Charges	\$ 19,600	
Other Debt Service	3,942	
Total Highways and Streets		23,542

Total Highway/Public Works Fund \$ 5,653,597

General Debt Service Fund

Other Operations

Other Charges

Trustee's Commission	\$ 11,009	
Total Other Charges		\$ 11,009

Principal on Debt

General Government

Principal on Notes	\$ 424,312	
Principal on Other Loans	479,000	
Total General Government		903,312

(Continued)

Exhibit J-7

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

General Debt Service Fund (Cont.)

Principal on Debt (Cont.)

Education

Principal on Bonds	\$ 822,174	
Principal on Notes	71,410	
Principal on Other Loans	<u>187,400</u>	
Total Education		\$ 1,080,984

Interest on Debt

General Government

Interest on Notes	\$ 32,916	
Interest on Other Loans	<u>5,416</u>	
Total General Government		38,332

Education

Interest on Bonds	\$ 681,321	
Interest on Other Loans	<u>7,017</u>	
Total Education		688,338

Other Debt Service

General Government

Bank Charges	\$ <u>6,791</u>	
Total General Government		6,791

Education

Bank Charges	\$ <u>6,307</u>	
Total Education		<u>6,307</u>

Total General Debt Service Fund \$ 2,735,073

General Capital Projects Fund

Capital Projects

General Administration Projects

Airport Improvement	\$ 32,705	
Building Improvements	18,339	
Communication Equipment	4,995	
Data Processing Equipment	7,446	
Heating and Air Conditioning Equipment	1,920	
Law Enforcement Equipment	22,239	
Motor Vehicles	88,950	
Office Equipment	895	
Transportation Equipment	10,800	
Other Construction	<u>55,599</u>	
Total General Administration Projects		\$ 243,888

(Continued)

Exhibit J-7

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

General Capital Projects Fund (Cont.)

Capital Projects (Cont.)

Other General Government Projects

Other Construction	\$ 286,813	
Total Other General Government Projects		\$ 286,813

Education Capital Projects

Contributions	\$ 2,436,600	
Underwriter's Discount	36,670	
Other Debt Issuance Charges	<u>38,400</u>	
Total Education Capital Projects		<u>2,511,670</u>

Total General Capital Projects Fund		<u>\$ 3,042,371</u>
-------------------------------------	--	---------------------

Total Governmental Funds - Primary Government		<u><u>\$ 21,348,949</u></u>
---	--	-----------------------------

Exhibit J-8

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 7,086,763	
Career Ladder Program	83,490	
Career Ladder Extended Contracts	63,595	
Homebound Teachers	22,284	
Educational Assistants	251,854	
Other Salaries and Wages	35,678	
Certified Substitute Teachers	31,680	
Non-certified Substitute Teachers	77,366	
Social Security	439,356	
State Retirement	471,168	
Medical Insurance	1,085,526	
Unemployment Compensation	8,577	
Employer Medicare	105,832	
Other Fringe Benefits	4,378	
Maintenance and Repair Services - Equipment	8,657	
Other Contracted Services	100,643	
Instructional Supplies and Materials	152,586	
Textbooks	255,167	
Other Supplies and Materials	34,925	
Other Charges	80,608	
Regular Instruction Equipment	136,856	
Total Regular Instruction Program		\$ 10,536,989

Alternative Instruction Program

Teachers	\$ 104,312	
Educational Assistants	10,029	
Non-certified Substitute Teachers	1,122	
Social Security	6,922	
State Retirement	7,458	
Medical Insurance	18,278	
Unemployment Compensation	156	
Employer Medicare	1,619	
Other Fringe Benefits	66	
Instructional Supplies and Materials	305	
Total Alternative Instruction Program		150,267

Special Education Program

Teachers	\$ 907,305
Career Ladder Program	9,000

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Career Ladder Extended Contracts	\$	4,200	
Educational Assistants		74,671	
Speech Pathologist		130,488	
Certified Substitute Teachers		924	
Non-certified Substitute Teachers		9,136	
Social Security		67,574	
State Retirement		73,036	
Medical Insurance		149,347	
Unemployment Compensation		1,254	
Employer Medicare		15,846	
Other Fringe Benefits		1,238	
Total Special Education Program			\$ 1,444,019

Vocational Education Program

Teachers	\$	579,572	
Career Ladder Program		2,070	
Career Ladder Extended Contracts		1,660	
Certified Substitute Teachers		4,730	
Non-certified Substitute Teachers		9,956	
Social Security		34,267	
State Retirement		37,364	
Medical Insurance		97,933	
Unemployment Compensation		674	
Employer Medicare		8,066	
Other Fringe Benefits		354	
Maintenance and Repair Services - Equipment		836	
Instructional Supplies and Materials		14,333	
Textbooks		4,972	
Total Vocational Education Program			796,787

Adult Education Program

Teachers	\$	147,433	
Other Salaries and Wages		43,782	
Social Security		10,569	
State Retirement		8,226	
Medical Insurance		8,545	
Unemployment Compensation		335	
Employer Medicare		2,679	
Other Fringe Benefits		133	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Adult Education Program (Cont.)

Other Contracted Services	\$	10,074	
Instructional Supplies and Materials		10,483	
Other Charges		8,997	
Total Adult Education Program			\$ 251,256

Support Services

Attendance

Supervisor/Director	\$	59,600	
Career Ladder Program		2,800	
Social Workers		42,190	
Other Salaries and Wages		28,834	
Social Security		6,065	
State Retirement		6,789	
Medical Insurance		3,242	
Unemployment Compensation		139	
Employer Medicare		1,896	
Other Fringe Benefits		111	
Travel		3,923	
Other Contracted Services		59,312	
Other Supplies and Materials		5,503	
Total Attendance			220,404

Health Services

Medical Personnel	\$	141,694	
Other Salaries and Wages		36,904	
Social Security		10,796	
State Retirement		12,652	
Medical Insurance		3,900	
Unemployment Compensation		353	
Employer Medicare		2,525	
Other Fringe Benefits		177	
Travel		6,496	
Other Contracted Services		2,360	
Drugs and Medical Supplies		8,089	
Other Supplies and Materials		50,204	
Total Health Services			276,150

Other Student Support

Career Ladder Program	\$	4,000	
-----------------------	----	-------	--

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Guidance Personnel	\$	381,855	
Career Ladder Extended Contracts		11,240	
Secretary(ies)		25,022	
Social Security		24,794	
State Retirement		27,392	
Medical Insurance		49,421	
Unemployment Compensation		397	
Employer Medicare		5,857	
Other Fringe Benefits		1,459	
Evaluation and Testing		36,654	
Other Supplies and Materials		4,898	
Other Charges		10,937	
Total Other Student Support			\$ 583,926

Regular Instruction Program

Supervisor/Director	\$	168,211	
Career Ladder Program		7,000	
Career Ladder Extended Contracts		5,500	
Librarians		278,680	
Instructional Computer Personnel		89,018	
Secretary(ies)		26,134	
Clerical Personnel		27,634	
Other Salaries and Wages		54,174	
Social Security		34,989	
State Retirement		36,881	
Medical Insurance		65,202	
Unemployment Compensation		671	
Employer Medicare		8,862	
Other Fringe Benefits		287	
Consultants		1,000	
Travel		15,689	
Library Books/Media		45,071	
Other Supplies and Materials		10,187	
In Service/Staff Development		15,615	
Other Charges		120	
Total Regular Instruction Program			890,925

Alternative Instruction Program

Supervisor/Director	\$	65,858	
---------------------	----	--------	--

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Alternative Instruction Program (Cont.)

Career Ladder Program	\$	2,000	
Social Security		4,255	
State Retirement		4,472	
Medical Insurance		4,370	
Unemployment Compensation		40	
Employer Medicare		995	
Other Fringe Benefits		22	
Communication		976	
Travel		1,544	
Total Alternative Instruction Program			\$ 84,532

Special Education Program

Supervisor/Director	\$	62,575	
Career Ladder Program		1,000	
Secretary(ies)		26,382	
Social Security		5,437	
State Retirement		6,084	
Medical Insurance		7,611	
Unemployment Compensation		80	
Employer Medicare		1,272	
Other Fringe Benefits		44	
Total Special Education Program			110,485

Vocational Education Program

Supervisor/Director	\$	27,507	
Social Security		1,703	
State Retirement		1,774	
Medical Insurance		4,370	
Unemployment Compensation		21	
Employer Medicare		398	
Other Fringe Benefits		22	
Travel		9,410	
Total Vocational Education Program			45,205

Other Programs

On-Behalf Payments to OPEB	\$	157,529	
Total Other Programs			157,529

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education

Secretary to Board	\$	4,869	
Other Salaries and Wages		30,356	
Board and Committee Members Fees		9,360	
Social Security		2,756	
State Retirement		2,674	
Unemployment Compensation		35	
Employer Medicare		645	
Audit Services		18,600	
Dues and Memberships		5,322	
Legal Services		1,102	
Travel		4,174	
Other Contracted Services		156	
Liability Insurance		24,638	
Trustee's Commission		173,363	
Workers' Compensation Insurance		124,906	
Refund to Applicant for Criminal Investigation		2,952	
Other Charges		<u>19,232</u>	
Total Board of Education	\$		425,140

Director of Schools

County Official/Administrative Officer	\$	112,916	
Secretary(ies)		44,000	
Clerical Personnel		26,136	
Social Security		11,167	
State Retirement		12,573	
Medical Insurance		4,129	
Unemployment Compensation		156	
Employer Medicare		2,612	
Other Fringe Benefits		199	
Communication		16,095	
Dues and Memberships		2,165	
Postal Charges		3,581	
Travel		2,212	
Other Contracted Services		6,991	
Office Supplies		11,559	
Other Charges		1,737	
Administration Equipment		<u>7,473</u>	
Total Director of Schools			265,701

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal

Principals	\$	427,146	
Career Ladder Program		9,000	
Accountants/Bookkeepers		23,688	
Career Ladder Extended Contracts		10,625	
Assistant Principals		317,271	
Secretary(ies)		129,316	
Clerical Personnel		20,103	
Social Security		55,746	
State Retirement		62,121	
Medical Insurance		67,663	
Unemployment Compensation		784	
Employer Medicare		13,191	
Other Fringe Benefits		442	
Communication		19,328	
Dues and Memberships		5,734	
Travel		1,557	
Office Supplies		25,227	
Other Charges		17,005	
Total Office of the Principal			\$ 1,205,947

Fiscal Services

Accountants/Bookkeepers	\$	84,417	
Social Security		5,375	
State Retirement		4,670	
Medical Insurance		1,266	
Unemployment Compensation		120	
Employer Medicare		1,292	
Other Fringe Benefits		44	
Travel		761	
Other Contracted Services		3,765	
Data Processing Supplies		139	
Office Supplies		94	
Total Fiscal Services			101,943

Operation of Plant

Other Contracted Services	\$	554,309
Electricity		539,102
Natural Gas		124,295
Water and Sewer		65,934

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Boiler Insurance	\$ 5,631	
Building and Contents Insurance	102,598	
Total Operation of Plant	\$ 1,391,869	

Maintenance of Plant

Supervisor/Director	\$ 58,000	
Secretary(ies)	3,800	
Maintenance Personnel	188,106	
Social Security	13,785	
State Retirement	15,281	
Medical Insurance	12,637	
Unemployment Compensation	367	
Employer Medicare	3,578	
Other Fringe Benefits	199	
Laundry Service	4,062	
Other Contracted Services	73,281	
Other Supplies and Materials	144,468	
Other Charges	1,794	
Total Maintenance of Plant	519,358	

Transportation

Supervisor/Director	\$ 46,679
Mechanic(s)	108,680
Bus Drivers	505,446
Clerical Personnel	24,799
Other Salaries and Wages	24,785
In-Service Training	1,650
Social Security	41,996
State Retirement	49,085
Medical Insurance	6,483
Unemployment Compensation	1,954
Employer Medicare	10,128
Other Fringe Benefits	902
Contracts with Parents	3,845
Laundry Service	3,892
Maintenance and Repair Services - Vehicles	4,870
Medical and Dental Services	5,320
Diesel Fuel	219,423
Garage Supplies	548

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Gasoline	\$	17,155	
Lubricants		8,809	
Tires and Tubes		38,842	
Vehicle Parts		75,918	
Other Supplies and Materials		13,199	
Vehicle and Equipment Insurance		31,678	
Other Charges		14,957	
Transportation Equipment		<u>491,224</u>	
Total Transportation			\$ 1,752,267

Operation of Non-Instructional Services

Community Services

Teachers	\$	55,003	
Other Salaries and Wages		109,353	
Social Security		10,076	
State Retirement		11,106	
Medical Insurance		4,193	
Unemployment Compensation		309	
Employer Medicare		2,357	
Travel		9,905	
Other Contracted Services		85,924	
Food Supplies		34,319	
Other Supplies and Materials		62,157	
Other Charges		<u>35,456</u>	
Total Community Services			420,158

Early Childhood Education

Teachers	\$	116,855
Educational Assistants		67,625
Other Salaries and Wages		85
Non-certified Substitute Teachers		2,311
Social Security		11,415
State Retirement		12,706
Medical Insurance		14,202
Unemployment Compensation		323
Employer Medicare		2,670
Travel		824
Other Contracted Services		385
Food Supplies		3,960

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

Instructional Supplies and Materials	\$	5,103	
Other Supplies and Materials		3,088	
In Service/Staff Development		7,024	
Other Charges		20	
Total Early Childhood Education			\$ 248,596

Capital Outlay

Regular Capital Outlay

Architects	\$	32,767	
Building Construction		754,865	
Building Improvements		197,209	
Other Capital Outlay		1,800	
Total Regular Capital Outlay			986,641

Interest on Debt

Education

Contributions	\$	1,574,905	
Total Education			1,574,905

Total General Purpose School Fund \$ 24,440,999

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	473,915	
Educational Assistants		91,775	
Other Salaries and Wages		56,650	
Certified Substitute Teachers		4,445	
Non-certified Substitute Teachers		6,663	
Social Security		36,693	
State Retirement		40,544	
Medical Insurance		62,796	
Unemployment Compensation		829	
Employer Medicare		8,640	
Instructional Supplies and Materials		324,410	
Total Regular Instruction Program			\$ 1,107,360

Special Education Program

Teachers	\$	183,941	
----------	----	---------	--

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Educational Assistants	\$	284,382	
Non-certified Substitute Teachers		1,166	
Social Security		26,821	
State Retirement		31,195	
Medical Insurance		66,830	
Unemployment Compensation		1,080	
Employer Medicare		6,308	
Maintenance and Repair Services - Equipment		1,435	
Other Contracted Services		2,875	
Instructional Supplies and Materials		50,179	
Special Education Equipment		46,076	
Total Special Education Program			\$ 702,288

Vocational Education Program

Other Salaries and Wages	\$	16,587	
Social Security		890	
State Retirement		1,259	
Medical Insurance		3,900	
Unemployment Compensation		40	
Employer Medicare		208	
Instructional Supplies and Materials		33,306	
Total Vocational Education Program			56,190

Support Services

Attendance

Other Salaries and Wages	\$	23,978	
Social Security		1,487	
State Retirement		1,820	
Unemployment Compensation		40	
Employer Medicare		348	
Travel		62	
Other Supplies and Materials		75	
Total Attendance			27,810

Other Student Support

Other Salaries and Wages	\$	6,290	
Social Security		167	
State Retirement		179	
Employer Medicare		39	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Travel	\$	22,880	
Other Supplies and Materials		5,926	
In Service/Staff Development		270	
Other Charges		4,455	
Total Other Student Support			\$ 40,206

Regular Instruction Program

Supervisor/Director	\$	54,100	
Secretary(ies)		26,382	
Clerical Personnel		6,871	
In-Service Training		4,500	
Social Security		4,187	
State Retirement		4,514	
Medical Insurance		3,242	
Unemployment Compensation		88	
Employer Medicare		1,304	
Travel		1,842	
Other Supplies and Materials		1,582	
In Service/Staff Development		80,734	
Other Charges		642	
Total Regular Instruction Program			189,988

Special Education Program

Psychological Personnel	\$	96,264	
Clerical Personnel		6,871	
Social Security		6,027	
State Retirement		6,369	
Medical Insurance		12,637	
Unemployment Compensation		93	
Employer Medicare		1,410	
Travel		12,272	
Other Contracted Services		38,470	
In Service/Staff Development		3,768	
Total Special Education Program			184,181

Vocational Education Program

Travel	\$	1,070	
Other Supplies and Materials		500	
Other Charges		440	
Total Vocational Education Program			2,010

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Transportation

Bus Drivers	\$	24,328	
Other Salaries and Wages		11,257	
Social Security		2,192	
State Retirement		2,546	
Unemployment Compensation		113	
Employer Medicare		513	
Transportation Equipment		87,624	
Total Transportation			\$ 128,573

Total School Federal Projects Fund \$ 2,438,606

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	46,679	
Accountants/Bookkeepers		28,948	
Cafeteria Personnel		480,232	
Social Security		32,405	
State Retirement		33,870	
Medical Insurance		37,659	
Unemployment Compensation		1,920	
Employer Medicare		7,677	
Communication		3,061	
Maintenance and Repair Services - Equipment		4,067	
Travel		3,910	
Other Contracted Services		56,290	
Food Preparation Supplies		4,007	
Food Supplies		825,277	
Uniforms		4,610	
USDA - Commodities		91,916	
Other Supplies and Materials		62,135	
In Service/Staff Development		3,097	
Other Charges		1,619	
Food Service Equipment		99,154	
Total Food Service			\$ 1,828,533

Total Central Cafeteria Fund 1,828,533

Total Governmental Funds - Henry County School Department \$ 28,708,138

Exhibit J-9

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

	Cities - Sales Tax Fund	Special School District Fund	Total
<u>Cash Receipts</u>			
Current Property Tax	\$ 0	\$ 1,907,585	\$ 1,907,585
Trustee's Collections - Prior Year	0	63,815	63,815
Trustee's Collections - Bankruptcy	0	5,559	5,559
Circuit/Clerk & Master Collections - Prior Years	0	11,159	11,159
Interest and Penalty	0	15,902	15,902
Pick-up Taxes	0	323	323
Payments in-Lieu-of Taxes - T.V.A.	0	1,472	1,472
Payments in-Lieu-of Taxes - Local Utilities	0	30,866	30,866
Payments in-Lieu-of Taxes - Other	0	62,788	62,788
Local Option Sales Tax	3,323,738	1,229,655	4,553,393
Business Tax	0	44,032	44,032
Bank Excise Tax	0	18,607	18,607
Interstate Telecommunications Tax	0	807	807
City/School District Property Taxes:			
Current Property Tax	0	921,039	921,039
Prior Year's Property Tax	0	31,747	31,747
Interest and Penalty	0	6,164	6,164
Payments in-Lieu-of Taxes	0	23,228	23,228
Marriage Licenses	0	803	803
Income Tax	0	45,587	45,587
Mixed Drink Tax	0	4,251	4,251
Total Cash Receipts	<u>\$ 3,323,738</u>	<u>\$ 4,425,389</u>	<u>\$ 7,749,127</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 3,290,500	\$ 4,357,446	\$ 7,647,946
Trustee's Commission	33,238	76,493	109,731
Total Cash Disbursements	<u>\$ 3,323,738</u>	<u>\$ 4,433,939</u>	<u>\$ 7,757,677</u>
Excess of Cash Receipts Over (Under)			
Cash Disbursements	\$ 0	\$ (8,550)	\$ (8,550)
Cash Balance, July 1, 2009	0	195,807	195,807
Cash Balance, June 30, 2010	<u>\$ 0</u>	<u>\$ 187,257</u>	<u>\$ 187,257</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

February 11, 2011

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henry County, Tennessee, as of and for the year ended June 30, 2010, which collectively comprise Henry County's basic financial statements and have issued our report thereon dated February 11, 2011. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Henry County Emergency Communications District, which were not available from other auditors as of the date of this report. 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 Henry County Medical Center (a discretely presented component unit) as described in our report on Henry 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 Henry County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Henry County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Henry County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 and 10.04.

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: 10.02 and 10.05.

## Compliance and Other Matters

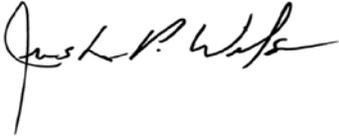
As part of obtaining reasonable assurance about whether Henry County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

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

Henry 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 Henry 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, county road supervisor, County Commission, Board of Education, others within Henry County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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

Justin P. Wilson  
Comptroller of the Treasury

JPW/yu



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

February 11, 2011

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

To the County Mayor and Board of County Commissioners:

Compliance

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

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

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

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

#### Internal Control Over Compliance

The management of Henry County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Henry County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 Henry 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items 10.02 and 10.06. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

#### Schedule of Expenditures of Federal Awards

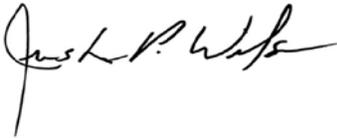
We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henry County as of and for the year ended June 30, 2010, and have issued our report thereon dated February 11, 2011. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of

the Henry County Emergency Communications District, which were not available from other auditors as of the date of this report. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Henry County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Henry County's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Henry 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, county road supervisor, director of schools, County Commission, Board of Education, others within Henry County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yours very truly,

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

Justin P. Wilson  
Comptroller of the Treasury

JPW/yu

Henry 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 Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 289,242
National School Lunch Program	10.555	N/A	777,143 (7)
Child and Adult Care Food Program	10.558	(2)	45,554
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	91,916 (7)
Child Nutrition Discretionary Grants Limited Availability, Recovery Act	10.579	N/A	25,000
Total U.S. Department of Agriculture			<u>\$ 1,228,855</u>
U.S. Department of Housing and Urban Development:			
Direct Program:			
Shelter Plus Care	14.238	N/A	\$ 181,548
Total U.S. Department of Housing and Urban Development:			<u>\$ 181,548</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(3)	\$ 54,126
Direct Program:			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to Units of Local Government	16.804	N/A	25,636
Total U.S. Department of Justice			<u>\$ 79,762</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Airport Improvement Program	20.106	Z-08-200683-00	\$ 19,764
Alcohol Open Container Requirements	20.607	Z-09-214613-00	6,945
Total U.S. Department of Transportation			<u>\$ 26,709</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	(4)	\$ 219,495
Passed-through State Department of Education:			
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	N/A	816,847
Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A	218,737
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	682,538
Special Education - Preschool Grants	84.173	N/A	66,063
Special Education - Grants to States, Recovery Act	84.391	N/A	189,746
Special Education - Preschool Grants, Recovery Act	84.392	N/A	13,825
Career and Technical Education - Basic Grants to States	84.048	N/A	84,850
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	39,593
Rural Education	84.358	N/A	70,436
English Language Acquisition Grants	84.365	N/A	2,520
Improving Teacher Quality State Grants	84.367	N/A	186,208
Education Technology State Grants, Recovery Act	84.386	N/A	15,063
Education of Homeless Children and Youth, Recovery Act	84.387	N/A	1,339
State Fiscal Stabilization Fund Cluster:			
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	N/A	571,400
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	N/A	260,073
Total U.S. Department of Education			<u>\$ 3,438,733</u>

(Continued)

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

Federal/Pass Through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services:			
Passed-through Northwest Tennessee Development District:			
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	(2)	\$ 3,500
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	(2)	26,314
Passed-through Tennessee State University:			
Head Start	93.600	(2)	101,000
Total U.S. Department of Health and Human Services			<u>\$ 130,814</u>
U.S. Corporation for National and Community Service:			
Passed-through State Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	GG-10-29920	\$ 14,338
Total U.S. Corporation for National and Community Service			<u>\$ 14,338</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	(5)	\$ 23,491
Homeland Security Grant Program	97.067	GG-07-21337-01	45,431
Total U.S. Department of Homeland Security			<u>\$ 68,922</u>
Total Federal Grants			<u>\$ 5,169,681</u>
<u>State Grants</u>		<u>Contract Number</u>	
Juvenile Justice Reimbursement Account Funds - State Commission on Children and Youth			
	N/A	(2)	\$ 39
Airport Maintenance Program - State Department of Transportation			
	N/A	(6)	29,705
Airport Apron Grant - State Department of Transportation			
	N/A	Z-08-200682-00	66,891
Airport Upgrade - State Department of Transportation			
	N/A	Z-09-213906-00	6,133
Airport Security Fencing and Lighting Grant - State Department of Transportation			
	N/A	Z-08-200776-00	44,928
State Reappraisal Program - Comptroller of the Treasury			
	N/A	(2)	12,562
Preventive Health and Human Services - State Department of Health			
	N/A	Z-10-219802-00	59,912
Optional Waste Tire Grant - State Department of Environment and Conservation			
	N/A	Z-08-212946-02	23,844
Litter Grant - State Department of Transportation			
	N/A	Z-09-212758-00	40,281
Lottery for Education: Afterschool Programs - State Department of Education			
	N/A	119-09-2-018	106,164
High Schools That Work - State Department of Education			
	N/A	(2)	4,000
Total State Grants			<u>\$ 394,459</u>

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.  
(2) Information not available.  
(3) GG-10-28642-00: \$44,865; GG-10-29739-00: \$9,000; information not available: \$261.  
(4) Z-08-211887-00: \$59,549; Z-10-218517-00: \$159,946.  
(5) 34101-0000000895: \$6,491; 34101-0000003896: \$17,000.  
(6) DG-10-28727-00: \$20,335; Z-09-213408-00: \$9,370.  
(7) Total for CFDA No. 10.555 is \$869,059.

Henry 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 is a finding from the Annual Financial Report for Henry County, Tennessee, for the year ended June 30, 2009, which has not been corrected.

**OTHER FINDING**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.01	192	Material audit adjustments were required for proper financial statement presentation
09.08	198	Duties were not segregated adequately in the Offices of County Clerk, Circuit and General Sessions Courts Clerk, Register, and Sheriff

---

---

**HENRY 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 aggregate discretely presented component units is qualified. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Henry County disclosed significant deficiencies in internal control. Two of these deficiencies were considered to be material weaknesses.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of Henry County.
4. The audit disclosed one significant deficiency in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed one finding that is required to be reported under Section 510(a) of OMB Circular A-133.
7. The Title I 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 Fund Cluster: State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act and State Fiscal Stabilization Fund (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. Henry County did not qualify as a low-risk auditee.

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

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

### **HENRY COUNTY HIGHWAY DEPARTMENT AND HENRY COUNTY SCHOOL DEPARTMENT**

**FINDING 10.01**      **MATERIAL AUDIT ADJUSTMENTS WERE REQUIRED FOR PROPER FINANCIAL STATEMENT PRESENTATION**  
(Internal Control – Material Weakness Under Government Auditing Standards)

At June 30, 2010, certain general ledger account balances in the Highway/Public Works and Education Capital 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 the Highway Department and the School Department to have adequate internal controls over the maintenance of their accounting records. Material audit adjustments were required because the Highway Department's and the School Department's financial reporting systems 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 Highway Department and the School Department have ineffective controls over the maintenance of their accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

#### **RECOMMENDATION**

The Highway Department and the School Department should have appropriate processes in place to ensure that their general ledgers are materially correct.

---

### **OFFICE OF DIRECTOR OF SCHOOLS**

**FINDING 10.02**      **THE SCHOOL DEPARTMENT DID NOT ACCOUNT FOR AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) GRANTS SEPARATELY FROM OTHER SCHOOL FUNDS**  
(Internal Control – Significant Deficiency Under Government Auditing Standards and OMB Circular A-133)

The School Department comingled ARRA expenditures for the State Fiscal Stabilization Fund Cluster (CFDA Nos. 84.394 and 84.397) program with other local, state, and federal funds. The U.S. Office of Management and Budget's (OMB) Circular A-133 requires grantees to agree to maintain records that identify adequately the application

(i.e., expenditures) of ARRA awards. In addition, grant agreements contain terms and conditions that require compliance with the Tennessee Office of Recovery Act Management (TRAM) Directives. TRAM Directive No. 2 requires governments to account for ARRA grant awards and expenditures separately from the government's other revenues and expenditures in the government's financial accounting system. This comingling of funds violates OMB's compliance requirements and the grant agreement and increases the risks of preparing inaccurate reports required by ARRA. When ARRA grant requirements are not followed, the OMB can terminate the grants; suspend or debar the county from receiving grants; or, in serious cases, may apply civil or criminal penalties.

#### RECOMMENDATION

The School Department should separate the application (i.e., expenditures) of ARRA grant funds on the department's accounting records.

#### MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

Although ARRA funds in the General Purpose School Fund were not cost centered by expenditure, they were cost centered by revenue allocation.

---

#### OFFICE OF CLERK AND MASTER

##### FINDING 10.03      **THE EXECUTION DOCKET TRIAL BALANCE DID NOT RECONCILE WITH GENERAL LEDGER ACCOUNTS** (Noncompliance Under Government Auditing Standards)

At June 30, 2010, the clerk and master prepared an execution docket trial balance as required by Section 18-2-103, Tennessee Code Annotated (TCA). However, the trial balance did not reconcile with the general ledger accounts by \$39,948. Therefore, we were unable to determine if the clerk had complied with provisions of the Unclaimed Property Act, Section 66-29-110, TCA, as it relates to the execution docket balances. This statute provides that any funds held by the courts for one year and unclaimed by the owner are considered abandoned. Section 66-29-113, TCA, further requires these funds to be reported and paid to the state Treasurer's Office.

#### RECOMMENDATION

The execution docket trial balance should be reconciled with the general ledger 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 accordance with state statutes.

---

**OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 10.04      HENRY COUNTY HAS A MATERIAL RECURRING AUDIT FINDING  
(Internal Control – Material Weakness Under Government Auditing Standards)**

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

<u>Finding Numbers</u>	<u>Description</u>
10.01, 09.01, 08.01	Several funds required material audit adjustments for proper financial statement presentation.

The recurring nature of the above-noted finding indicates that management is either unwilling or unable to address the deficiencies. 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**

Henry 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 these findings continue to recur, Henry County may be required to establish an Audit Committee under the provisions of Section 9-3-405, TCA.

---

**FINDING 10.05      DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, REGISTER, AND SHERIFF  
(Internal Control – Significant Deficiency Under Government Auditing Standards)**

Duties were not segregated adequately among the officials and employees in the Offices of County Clerk, Circuit and General Sessions Courts Clerk, Register, and Sheriff. Employees responsible for maintaining accounting records were also involved in receipting, depositing,

and/or disbursing funds. Accounting standards provide that internal controls be designed to provide reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, the deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

#### RECOMMENDATION

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

---

#### **BEST PRACTICE**

#### **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAS NOT BEEN ADOPTED**

Henry County does not have a central system of accounting, budgeting, and purchasing. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort. The Division of County Audit strongly believes that the adoption of a central system of accounting, budgeting, and purchasing is a best practice that would significantly improve accountability and the quality of services provided to the citizens of Henry County. Therefore, we recommend the adoption of the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

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

Federal Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Education: Passed-through State Department of Education: State Fiscal Stabilization Fund Cluster: State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	10.06	84.394 84.397	<u>Circular A-133</u>	Significant deficiency in Internal Control - \$ See Finding 10.02 - Henry County did not account for American Recovery and Reinvestment Act (ARRA) grants separately from other county funds	0

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

There were audit findings relative to federal awards presented in the prior- and current-years' Schedules of Findings and Questioned Costs.

**Director of Schools – Corrective Action Plan for Current-Year's Findings**

**FINDINGS 10.02 and 10.06**

Contact person: Sam Miles, Director of Schools

Corrective action planned: All ARRA funds will be cost centered whenever possible in the 2010-11 budget.

Anticipated completion date: 2010-11 fiscal year

**County Mayor – Summary Schedule of Prior-Year's Findings**

**FINDINGS 09.02 and 09.10**

- (A) Henry County obtained documentation where possible to support all disbursements and to ensure that all costs were allowable.
- (B) Henry County now follows all bid processes as required by OMB Circular A-133, as well as Section 5-14-201, Tennessee Code Annotated.
- (C) Henry County has implemented procedures to comply with suspension and debarment procedures.
- (D) Equipment and furnishings were inventoried as required by the county's capital assets policy.
- (E) All required reports were filed.