
ANNUAL FINANCIAL REPORT HENDERSON COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2011



**ANNUAL FINANCIAL REPORT
HENDERSON COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2011**

***COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON***

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

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Audit Highlights

Annual Financial Report
Henderson County, Tennessee
For the Year Ended June 30, 2011

Scope

We have audited the basic financial statements of Henderson County as of and for the year ended June 30, 2011.

Results

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

Our audit resulted in ten findings and recommendations, which we have reviewed with Henderson County management. Detailed findings and recommendations 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:

OFFICE OF FINANCE DIRECTOR

- ◆ Material audit adjustments were required for proper financial statement presentation.
 - ◆ The office had deficiencies in budget operations.
 - ◆ Bid specifications for an equipment purchase applied only to one brand.
 - ◆ Amounts withheld from contractor payments were not deposited into an escrow account.
 - ◆ Designated situs-based taxes were inadequate to fund rural fire protection.
 - ◆ The office had deficiencies in computer system backup procedures.
-

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

- ◆ Excess fees were not reported and paid to the county in compliance with state statute.
-

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ Execution docket trial balances did not reconcile with cash journal accounts.
-

OFFICE OF CLERK AND MASTER

- ◆ Multiple employees operated from the same cash drawer.
-

OFFICES OF FINANCE DIRECTOR, COUNTY CLERK, JUVENILE COURT CLERK, REGISTER, AND SHERIFF

- ◆ Duties were not segregated adequately.
-

BEST PRACTICE

Henderson County does not have an Audit Committee. The Division of County Audit strongly believes that an Audit Committee is a best practice that should be adopted by the governing body to assist the County Commission by providing independent and objective reviews of the financial reporting process, internal controls, the audit function, and being responsible for monitoring management's plans to address various risks.

INTRODUCTORY SECTION

Henderson County Officials

June 30, 2011

Officials

Dan Hughes, County Mayor
Harold Hensley, Road Supervisor
Steve Wilkinson, Director of Schools
David Frizzell, Trustee
Danny Garner, Assessor of Property
Carolyn Holmes, County Clerk
Beverly Dunaway, Circuit, General Sessions, and Juvenile Courts Clerk
Leigh Milam, Clerk and Master
Doug Bartholomew, Register
Brian Duke, Sheriff
Jennifer Fesmire, Finance Director

Board of County Commissioners

Dan Hughes, County Mayor, Chairman
Celia Barrow
Waylon Buck
Jeff James
Mack Maness
Susan Montgomery
Tommy Page
Wanda Powers

David Rogers
Timothy Rogers
Joe Ross
Larry Don Stanfill
Harold Tyler
Tyler Walker
Aaron Wood

Board of Education

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

Financial Management Committee

Dan Hughes, County Mayor, Chairman
Celia Barrow
Mack Maness
Tommy Page
Timothy Rogers
Harold Hensley, Road Supervisor
Steve Wilkinson, Director of Schools

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

December 5, 2011

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henderson County, Tennessee, as of and for the year ended June 30, 2011, which collectively comprise Henderson County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Henderson County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Henderson County Emergency Communications District, which represent three percent and two percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Henderson County Emergency Communications District, is based on the report of other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henderson County, Tennessee, as of June 30, 2011, 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 December 5, 2011, on our consideration of Henderson County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As described in Note V.B., Henderson County has adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which became effective for the year ended June 30, 2011.

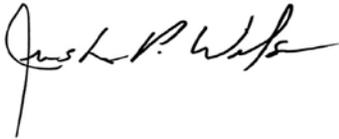
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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 63 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Henderson County's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements,

budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Henderson County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Henderson County School Department (a discretely presented component unit), and the miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Very truly yours,

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

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Henderson County, Tennessee
Statement of Net Assets
June 30, 2011

	Primary Government Governmental Activities	Component Units	
		Henderson County School Department	Emergency Communications District
<u>ASSETS</u>			
Cash	\$ 956,078	\$ 0	\$ 197,467
Equity in Pooled Cash and Investments	7,965,206	4,558,750	0
Accounts Receivable	79,701	33,684	17,055
Due from Other Governments	546,288	1,353,840	209,235
Property Taxes Receivable	5,864,250	2,800,651	0
Allowance for Uncollectible Property Taxes	(113,032)	(54,624)	0
Prepaid Items	18,720	0	0
Deferred Charges - Debt Issuance Costs	474,820	0	0
Capital Assets:			
Assets Not Depreciated:			
Land	2,133,209	904,161	0
Construction in Progress	14,269,153	1,065,696	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	695,711	14,922,459	8,444
Infrastructure	1,434,347	0	0
Other Capital Assets	1,198,467	689,463	334,546
Total Assets	<u>\$ 35,522,918</u>	<u>\$ 26,274,080</u>	<u>\$ 766,747</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 0	\$ 3,365	\$ 22,500
Payroll Deductions Payable	8,932	222	0
Contracts Payable	0	354,484	0
Retainage Payable	0	46,798	0
Accrued Interest Payable	320,867	0	0
Due to State of Tennessee	2,080	0	0
Deferred Revenue - Current Property Taxes	5,515,763	2,630,812	0
Noncurrent Liabilities:			
Due Within One Year	2,258,571	15,768	0
Due in More Than One Year (net of deferred amount on refunding, deferred discount on debt, and unamortized premium on debt)	29,648,215	1,018,449	0
Total Liabilities	<u>\$ 37,754,428</u>	<u>\$ 4,069,898</u>	<u>\$ 22,500</u>

(Continued)

Exhibit A

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

	Primary	Component Units		
		Government	Henderson	Emergency
			Governmental	School
Activities	Department	District		
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	\$ 4,427,034	\$ 17,039,765	\$ 0	
Invested in Capital Assets	0	0	342,990	
Restricted for:				
Solid Waste/Sanitation	141,781	0	0	
Drug Control	108,624	0	0	
Constitutional Officers - Fees	970,620	0	0	
Highway/Public Works	1,219,248	0	0	
Debt Service	5,289,877	0	0	
Alcohol and Drug Treatment	113,199	0	0	
Litigation Tax - Jail, Workhouse, Courthouse	236,144	0	0	
School Federal Projects	0	14,100	0	
Central Cafeteria	0	21,626	0	
School Transportation	0	562,518	0	
Other Purposes	157,705	64,026	0	
Unrestricted	<u>(14,895,742)</u>	<u>4,502,147</u>	<u>401,257</u>	
Total Net Assets (Deficit)	<u>\$ (2,231,510)</u>	<u>\$ 22,204,182</u>	<u>\$ 744,247</u>	

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

Exhibit B

Henderson County, Tennessee
 Statement of Activities
 For the Year Ended June 30, 2011

Functions/Programs	Program Revenues						Net (Expense) Revenue and Changes in Net Assets			
	Operating			Capital			Primary Government		Component Units	
	Expenses	Charges for Services	Grants and Contributions	Grants and Contributions	Total Governmental Activities	Henderson County School Department	Emergency Communications District			
Primary Government:										
Governmental Activities:										
General Government	\$ 915,783	\$ 107,242	\$ 40,964	\$ 0	\$ (767,577)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	1,050,053	674,248	0	0	(375,805)	0	0	0	0	0
Administration of Justice	933,200	1,037,066	9,500	0	113,366	0	0	0	0	0
Public Safety	4,104,865	582,040	622,541	6,988	(2,893,296)	0	0	0	0	0
Public Health and Welfare	649,699	30,521	122,241	0	(496,937)	0	0	0	0	0
Social, Cultural, and Recreational Services	74,831	0	0	0	(74,831)	0	0	0	0	0
Agriculture and Natural Resources	100,413	0	0	0	(100,413)	0	0	0	0	0
Other Operations	248,866	0	0	0	(248,866)	0	0	0	0	0
Highways	2,465,523	63,985	1,794,237	474,724	(132,577)	0	0	0	0	0
Interest on Long-term Debt	1,380,714	0	299,557	0	(1,081,157)	0	0	0	0	0
Other Debt Service	95,579	0	0	0	(95,579)	0	0	0	0	0
Total Primary Government	\$ 12,019,526	\$ 2,495,102	\$ 2,889,040	\$ 481,712	\$ (6,153,672)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Component Units:										
Henderson County School Department	\$ 30,596,270	\$ 1,016,230	\$ 4,405,776	\$ 49,700	\$ 0	\$ (25,124,564)	\$ 0	\$ 0	\$ 0	\$ 0
Emergency Communications District	296,260	325,461	220,166	0	0	0	0	0	249,367	0
Total Component Units	\$ 30,892,530	\$ 1,341,691	\$ 4,625,942	\$ 49,700	\$ 0	\$ (25,124,564)	\$ 0	\$ 0	\$ 249,367	\$ 0

(Continued)

Exhibit B

Henderson County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units	
				Total Governmental Activities	Henderson County School Department	Emergency Communications District	
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes				\$ 4,155,438	\$ 2,898,158	\$	0
Property Taxes Levied for Debt Service				1,755,710	0		0
Local Option Sales Taxes				649,503	2,406,088		0
Wheel Tax				842,866	336,004		0
Litigation Taxes				198,454	0		0
Business Taxes				219,025	0		0
Hotel/Motel Taxes				89,451	0		0
Other Local Taxes				74,991	1,373		0
Grants and Contributions Not Restricted to Specific Programs				110,776	19,343,858		0
Unrestricted Investment Earnings				284,730	0		4,467
Miscellaneous				67,410	48,593		0
Total General Revenues				\$ 8,448,354	\$ 25,034,074	\$	4,467
Change in Net Assets				\$ 2,294,682	\$ (90,490)	\$	253,834
Net Assets (Deficit), July 1, 2010				(4,526,192)	22,294,672		490,413
Net Assets (Deficit), June 30, 2011				\$ (2,231,510)	\$ 22,204,182	\$	744,247

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

Exhibit C-1

Henderson County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2011

	Major Funds			Nonmajor Funds	Total Governmental Funds
	Highway /		General	Other	
	General	Public Works	Debt Service	Governmental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 956,078	\$ 956,078
Equity in Pooled Cash and Investments	1,590,037	908,427	4,530,258	936,484	7,965,206
Accounts Receivable	43,772	2,100	340	33,489	79,701
Due from Other Governments	130,571	315,809	0	99,908	546,288
Due from Other Funds	20,809	0	0	0	20,809
Property Taxes Receivable	3,598,946	180,916	1,739,723	344,665	5,864,250
Allowance for Uncollectible Property Taxes	(69,565)	(3,488)	(33,512)	(6,467)	(113,032)
Prepaid Items	18,720	0	0	0	18,720
Total Assets	\$ 5,333,290	\$ 1,403,764	\$ 6,236,809	\$ 2,364,157	\$ 15,338,020
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Payroll Deductions Payable	\$ 8,309	\$ 623	\$ 0	\$ 0	\$ 8,932
Due to Other Funds	0	0	0	20,809	20,809
Due to State of Tennessee	1,849	231	0	0	2,080
Deferred Revenue - Current Property Taxes	3,384,039	170,161	1,636,446	325,117	5,515,763
Deferred Revenue - Delinquent Property Taxes	135,889	6,795	65,229	12,230	220,143
Other Deferred Revenues	50,661	153,741	0	52,638	257,040
Total Liabilities	\$ 3,580,747	\$ 331,551	\$ 1,701,675	\$ 410,794	\$ 6,024,767
<u>Fund Balances</u>					
Nonspendable:					
Prepaid Items	\$ 18,720	\$ 0	\$ 0	\$ 0	\$ 18,720
Restricted:					
Restricted for General Government	30,028	0	0	0	30,028
Restricted for Administration of Justice	352,403	0	0	0	352,403
Restricted for Public Safety	7,369	0	0	108,624	115,993
Restricted for Public Health and Welfare	113,199	0	0	123,043	236,242
Restricted for Highways/Public Works	0	1,069,377	0	0	1,069,377
Restricted for Debt Service	0	0	4,129,075	741,919	4,870,994
Restricted for Capital Projects	0	0	0	217	217
Committed:					
Committed for Finance	0	0	0	559,931	559,931
Committed for Administration of Justice	0	0	0	410,689	410,689
Committed for Public Health and Welfare	0	0	0	5,108	5,108
Committed for Social, Cultural, and Recreational Services	196,903	0	0	0	196,903
Committed for Highways/Public Works	0	2,836	0	0	2,836
Committed for Debt Service	0	0	406,059	0	406,059
Committed for Capital Projects	0	0	0	3,832	3,832
Unassigned	1,033,921	0	0	0	1,033,921
Total Fund Balances	\$ 1,752,543	\$ 1,072,213	\$ 4,535,134	\$ 1,953,363	\$ 9,313,253
Total Liabilities and Fund Balances	\$ 5,333,290	\$ 1,403,764	\$ 6,236,809	\$ 2,364,157	\$ 15,338,020

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

Exhibit C-2

Henderson County, Tennessee

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

June 30, 2011

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)		\$	9,313,253
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	2,133,209	
Add: construction in progress		14,269,153	
Add: buildings and improvements net of accumulated depreciation		695,711	
Add: infrastructure net of accumulated depreciation		1,434,347	
Add: other capital assets net of accumulated depreciation		<u>1,198,467</u>	19,730,887
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(1,340,000)	
Less: capital lease payable		(25,469)	
Less: bonds payable		(30,430,000)	
Add: deferred amount on refunding		212,852	
Add: deferred charges - debt issuance costs		474,820	
Add: deferred charges - discount on debt issued		9,367	
Less: compensated absences payable		(98,156)	
Less: landfill closure/postclosure care costs		(101,020)	
Less: other postemployment benefits liability		(101,953)	
Less: accrued interest on notes and bonds		(320,867)	
Less: other deferred revenue - premium on debt		<u>(32,407)</u>	(31,752,833)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			
			<u>477,183</u>
Net assets (deficit) of governmental activities (Exhibit A)		\$	<u><u>(2,231,510)</u></u>

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

Exhibit C-3

Henderson County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 4,276,112	\$ 182,831	\$ 2,598,760	\$ 896,301	\$ 7,954,004
Licenses and Permits	950	0	0	0	950
Fines, Forfeitures, and Penalties	340,801	0	0	51,872	392,673
Charges for Current Services	47,671	0	0	980,132	1,027,803
Other Local Revenues	249,042	66,322	86,019	51,498	452,881
Fees Received from County Officials	438,553	0	0	0	438,553
State of Tennessee	591,032	1,977,956	0	6,478	2,575,466
Federal Government	520,124	290,990	0	0	811,114
Other Governments and Citizens Groups	322,251	0	292,805	0	615,056
Total Revenues	\$ 6,786,536	\$ 2,518,099	\$ 2,977,584	\$ 1,986,281	\$ 14,268,500
<u>Expenditures</u>					
Current:					
General Government	\$ 823,359	\$ 0	\$ 0	\$ 0	\$ 823,359
Finance	583,891	0	0	435,341	1,019,232
Administration of Justice	368,776	0	0	581,798	950,574
Public Safety	4,283,130	0	0	56,004	4,339,134
Public Health and Welfare	216,498	0	0	387,654	604,152
Social, Cultural, and Recreational Services	74,831	0	0	0	74,831
Agriculture and Natural Resources	98,860	0	0	0	98,860
Other Operations	530,057	0	0	0	530,057
Highways	0	2,258,273	0	0	2,258,273
Debt Service:					
Principal on Debt	62,700	17,009	1,367,300	615,000	2,062,009
Interest on Debt	15,513	1,595	1,214,809	118,368	1,350,285
Other Debt Service	0	0	46,874	6,294	53,168
Capital Projects	0	0	0	811,567	811,567
Total Expenditures	\$ 7,057,615	\$ 2,276,877	\$ 2,628,983	\$ 3,012,026	\$ 14,975,501
Excess (Deficiency) of Revenues Over Expenditures	\$ (271,079)	\$ 241,222	\$ 348,601	\$ (1,025,745)	\$ (707,001)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 405,000	\$ 0	\$ 0	\$ 0	\$ 405,000
Insurance Recovery	23,576	21,708	0	0	45,284
Total Other Financing Sources (Uses)	\$ 428,576	\$ 21,708	\$ 0	\$ 0	\$ 450,284
Net Change in Fund Balances	\$ 157,497	\$ 262,930	\$ 348,601	\$ (1,025,745)	\$ (256,717)
Fund Balance, July 1, 2010	1,595,046	809,283	4,186,533	2,979,108	9,569,970
Fund Balance, June 30, 2011	\$ 1,752,543	\$ 1,072,213	\$ 4,535,134	\$ 1,953,363	\$ 9,313,253

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

Exhibit C-4

Henderson County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2011

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)		\$ (256,717)
(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	\$ 1,470,100	
Less: current-year depreciation expense	<u>(495,792)</u>	974,308
(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, 2011	\$ 477,183	
Less: deferred delinquent property taxes and other deferred June 30, 2010	<u>(438,227)</u>	38,956
(3) The issuance of long-term debt (e.g., bonds, notes, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items.		
Less: note proceeds	\$ (405,000)	
Add: change in premium on debt issuances	6,752	
Less: change in discount on debt issued	(529)	
Less: change in deferred debt issuance costs	(41,882)	
Add: principal payments on bonds	1,805,000	
Add: principal payments on notes	240,000	
Add: principal payments on capital lease	17,009	
Less: change in deferred amount on refunding debt	<u>(44,763)</u>	1,576,587
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ 14,334	
Change in landfill closure/postclosure care costs	6,806	
Change in compensated absences payable	(18,153)	
Change in other postemployment benefits liability	<u>(41,439)</u>	<u>(38,452)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 2,294,682</u>

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

Exhibit D

Henderson County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2011

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 2,567,008
Equity in Pooled Cash and Investments	79,868
Accounts Receivable	3,321
Due from Other Governments	625,435
Taxes Receivable	484,309
Allowance for Uncollectible Taxes	<u>(9,453)</u>
Total Assets	<u>\$ 3,750,488</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 1,180,256
Due to Litigants, Heirs, and Others	<u>2,570,232</u>
Total Liabilities	<u>\$ 3,750,488</u>

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

HENDERSON COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

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

Administrative Office:

Henderson County Emergency
Communications District
170 Justice Center Drive, Suite D
Lexington, TN 38351

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Fiduciary fund financial statements are reported using the economic resources measurement focus, except for agency funds, which have no

measurement focus, and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Henderson County reports the following major governmental funds:

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

Highway/Public Works Fund – This special revenue fund accounts for transactions of the county’s Highway Department. Local and state gasoline/fuel taxes are the foundational revenues of this fund.

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

Additionally, Henderson County reports the following fund types:

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

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

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

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

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

School Transportation Fund – This special revenue fund accounts for the transportation of students. Local taxes are the foundational revenues of this fund.

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.

It is the county's policy that restricted amounts would be reduced first followed by unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Also, it is the county's policy that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Henderson County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General and General Debt Service funds. Henderson County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered

mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

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

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaids are offset in the nonspendable fund balance account in governmental funds.

4. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$10,000 or more (except for double-surface treatment roads at \$12,000/mile, asphalt roads at \$40,000/mile, and bridges at \$30,000) and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

5. Compensated Absences

It is the county's and the School Department's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since governments do not have a policy to pay any amounts when employees separate from service with the governments. All vacation pay is accrued when incurred in the government-wide financial statements for the county and the School Department. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

6. Long-term Obligations

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

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

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

7. Net Assets and Fund Equity

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

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

As of June 30, 2011, Henderson County had \$16,478,200 in outstanding debt for capital purposes of the discretely presented Henderson County School Department. In accordance with state statutes, certain county school debt proceeds must be shared with other public school systems in the county (City of Lexington School System) based on an average daily attendance proration. This debt is a liability of Henderson County, but the capital assets acquired are reported in the financial statements of the Henderson County School Department and the City of Lexington School System. Therefore, Henderson County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the County Commission, the county's highest level of decision-making authority and the Board of

Education, the School Department's highest level of decision-making authority.

Assigned Fund Balance – includes amounts that are constrained by the county's intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The county's Budget Committee and the Board of Education are authorized bodies to make assignments.

Unassigned Fund Balance – the residual classification of the General and General Purpose School funds. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General and General Purpose School funds.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Henderson County School Department

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

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

Primary Government

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

Discretely Presented Henderson County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

At June 30, 2011, the Henderson County School Department reported the following significant encumbrances:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
School Department:		
Major Fund:		
General Purpose School	Wastewater Facility Improvements	\$ 782,346
"	School Renovations	432,403

B. Expenditures Exceeded Appropriations

Expenditures exceeded total appropriations approved by the County Commission in the Drug Control and General Purpose School funds by \$20,265 and \$600,493, respectively. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balances.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations

guaranteed by the U.S. government or any of its agencies; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state Comptroller's Office and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the fair value of the securities on the day of purchase.

The county had no pooled and nonpooled investments as of June 30, 2011.

B. Capital Assets

Capital assets activity for the year ended June 30, 2011, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-10	Increases	Decreases	Balance 6-30-11
Capital Assets				
Not Depreciated:				
Land	\$ 2,133,209	\$ 0	\$ 0	\$ 2,133,209
Construction in Progress	13,478,366	790,787	0	14,269,153
Total Capital Assets				
Not Depreciated	\$ 15,611,575	\$ 790,787	\$ 0	\$ 16,402,362
Capital Assets Depreciated:				
Buildings and				
Improvements	\$ 2,635,330	\$ 0	\$ 0	\$ 2,635,330
Infrastructure	2,286,014	0	0	2,286,014
Other Capital Assets	4,658,706	679,313	123,074	5,214,945
Total Capital Assets				
Depreciated	\$ 9,580,050	\$ 679,313	\$ 123,074	\$ 10,136,289

Governmental Activities (Cont.):

	Balance 7-1-10	Increases	Decreases	Balance 6-30-11
Less Accumulated Depreciation For: Buildings and Improvements	\$ 1,886,157	\$ 53,462	\$ 0	\$ 1,939,619
Infrastructure	714,070	137,597	0	851,667
Other Capital Assets	3,834,819	304,733	123,074	4,016,478
Total Accumulated Depreciation	<u>\$ 6,435,046</u>	<u>\$ 495,792</u>	<u>\$ 123,074</u>	<u>\$ 6,807,764</u>
Total Capital Assets Depreciated, Net	<u>\$ 3,145,004</u>	<u>\$ 183,521</u>	<u>\$ 0</u>	<u>\$ 3,328,525</u>
Governmental Activities Capital Assets, Net	<u>\$ 18,756,579</u>	<u>\$ 974,308</u>	<u>\$ 0</u>	<u>\$ 19,730,887</u>

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

Governmental Activities:

General Government	\$ 2,588
Administration of Justice	10,745
Public Safety	214,184
Public Health and Welfare	43,887
Highways	<u>224,388</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 495,792</u>

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

	Balance 7-1-10	Increases	Balance 6-30-11
Capital Assets Not Depreciated:			
Land	\$ 904,161	\$ 0	\$ 904,161
Construction in Progress	0	1,065,696	1,065,696
Total Capital Assets Not Depreciated	<u>\$ 904,161</u>	<u>\$ 1,065,696</u>	<u>\$ 1,969,857</u>

Governmental Activities (Cont.):

	Balance 7-1-10	Increases	Balance 6-30-11
Capital Assets Depreciated:			
Building and			
Improvements	\$ 36,702,184	\$ 97,095	\$ 36,799,279
Other Capital Assets	682,942	395,612	1,078,554
Total Capital Assets			
Depreciated	<u>\$ 37,385,126</u>	<u>\$ 492,707</u>	<u>\$ 37,877,833</u>
Less Accumulated			
Depreciation For:			
Building and			
Improvements	\$ 20,829,277	\$ 1,047,543	\$ 21,876,820
Other Capital Assets	302,845	86,246	389,091
Total Accumulated			
Depreciation	<u>\$ 21,132,122</u>	<u>\$ 1,133,789</u>	<u>\$ 22,265,911</u>
Total Capital Assets			
Depreciated, Net	<u>\$ 16,253,004</u>	<u>\$ (641,082)</u>	<u>\$ 15,611,922</u>
Governmental Activities			
Capital Assets, Net	<u>\$ 17,157,165</u>	<u>\$ 424,614</u>	<u>\$ 17,581,779</u>

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

Governmental Activities:

Instruction	\$ 961,040
Support Services	103,200
Operation of Non-Instructional Services	<u>69,549</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,133,789</u>

C. Construction Commitments

At June 30, 2011, the General Purpose School Fund had uncompleted construction contracts of \$782,346 for wastewater treatment facility improvements and \$432,403 for school renovations. Funding is expected to be received from a state revolving loan fund for the wastewater treatment facility improvements future expenditures. Funding has been received for the school renovation future expenditures.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2011, was as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 20,809
Discretely Presented School Department:		
General Purpose School	School Federal Projects	16,783

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

Interfund Transfers:

Interfund transfers for the year ended June 30, 2011, consisted of the following amount:

Discretely Presented Henderson County School Department

<u>Transfer Out</u>	<u>Transfer In</u>
	General Purpose School Fund
School Federal Projects Fund	\$ 9,756

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

E. Capital Lease

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

The assets acquired through capital leases are as follows:

Asset	Governmental Activities
Machinery and Equipment	\$ 82,975
Less: Accumulated Depreciation	<u>(62,231)</u>
Total Book Value	<u><u>\$ 20,744</u></u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2011, were as follows:

Year Ending June 30	Governmental Funds
2012	\$ 18,604
2013	7,751
Total Minimum Lease Payments	<u>\$ 26,355</u>
Less: Amount Representing Interest	<u>(886)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 25,469</u></u>

F. Long-term Debt

Primary Government

General Obligation Bonds and Notes

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 21 years for bonds and up to 12 years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and notes included in long-term debt as of June 30, 2011, will be retired from the General Debt Service, Rural Debt Service, and General funds.

General obligation bonds, capital outlay notes, and capital leases outstanding as of June 30, 2011, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-11
General Obligation Bonds	1.75 to 6%	\$ 19,965,000	\$ 18,615,000
General Obligation Bonds - Refunding	2 to 5	15,945,000	11,815,000
Capital Outlay Notes	2.45 to 4.5	1,845,000	1,100,000
Capital Outlay Notes - Refunding	3.45 to 3.95	765,000	240,000
Capital Lease	4.59	82,975	25,469

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2011, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2012	\$ 1,920,000	\$ 1,233,551	\$ 3,153,551
2013	2,015,000	1,167,172	3,182,172
2014	2,160,000	1,094,771	3,254,771
2015	2,305,000	1,012,829	3,317,829
2016	2,225,000	921,907	3,146,907
2017-2021	8,470,000	3,413,013	11,883,013
2022-2026	7,435,000	1,784,839	9,219,839
2027-2029	3,900,000	349,357	4,249,357
Total	<u>\$ 30,430,000</u>	<u>\$ 10,977,439</u>	<u>\$ 41,407,439</u>

Year Ending June 30	Notes		
	Principal	Interest	Total
2012	\$ 260,000	\$ 49,917	\$ 309,917
2013	330,000	39,648	369,648
2014	215,000	26,950	241,950
2015	150,000	18,650	168,650
2016	155,000	13,300	168,300
2017-2018	230,000	9,900	239,900
Total	<u>\$ 1,340,000</u>	<u>\$ 158,365</u>	<u>\$ 1,498,365</u>

There is \$5,277,053 available in the debt service funds to service long-term debt. Bonded debt per capita totaled \$1,096, based on the 2010 federal

census. Debt per capita, including bonds, notes, and capital leases totaled \$1,145, based on the 2010 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

Governmental Activities:	Bonds	Notes	Capital Lease
Balance, July 1, 2010	\$ 32,235,000	\$ 1,175,000	\$ 42,478
Additions	0	405,000	0
Deductions	(1,805,000)	(240,000)	(17,009)
Balance, June 30, 2011	<u>\$ 30,430,000</u>	<u>\$ 1,340,000</u>	<u>\$ 25,469</u>
Balance Due Within One Year	<u>\$ 1,920,000</u>	<u>\$ 260,000</u>	<u>\$ 17,806</u>

	Compensated Absences	Landfill Postclosure Care Costs	Other Postemployment Benefits
Balance, July 1, 2010	\$ 80,003	\$ 107,826	\$ 60,514
Additions	103,050	1,010	46,144
Deductions	(84,897)	(7,816)	(4,705)
Balance, June 30, 2011	<u>\$ 98,156</u>	<u>\$ 101,020</u>	<u>\$ 101,953</u>
Balance Due Within One Year	<u>\$ 52,949</u>	<u>\$ 7,816</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	\$ 32,096,598
Less: Balance Due Within One Year	(2,258,571)
Less: Deferred Discount on Debt	(9,367)
Add: Unamortized Premium on Debt	32,407
Less: Deferred Amount on Refunding	<u>(212,852)</u>

Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 29,648,215</u>
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Compensated absences and other postemployment benefits will be paid from the employing funds, primarily the General and Highway/Public Works funds. Landfill postclosure care costs will be paid from the Solid Waste/Sanitation Fund.

Discretely Presented Henderson County School Department

Other Loans

During the year, Henderson County entered into an agreement with the State of Tennessee to receive funding from the state revolving loan fund program. Under this agreement, the program made \$1,934,199 available for loan to the Henderson County School Department for wastewater facility improvements at four elementary schools. As of June 30, 2011, the School Department had drawn \$542,014 of the available \$1,934,199 loan. The loan is repayable at a 1.38 percent interest rate. In addition, the School Department pays an administrative fee in connection with this loan.

Other loans are direct obligations and pledge the full faith and credit of the government. Other loans were issued for original terms of up to 20 years. The other loans outstanding as of June 30, 2011, will be retired from the General Purpose School Fund.

Other loans outstanding as of June 30, 2011, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-11
Other Loan	1.38%	\$ 542,014	\$ 542,014

The annual requirements to amortize all other loans outstanding as of June 30, 2011, are presented in the following table:

Year Ending June 30	Other Loan			Total
	Principal	Interest	Other Fees	
2012	\$ 15,768	\$ 4,920	\$ 288	\$ 20,976
2013	23,916	7,116	444	31,476
2014	24,252	6,780	384	31,416
2015	24,588	6,444	372	31,404
2016	24,936	6,096	348	31,380
2017-2021	129,936	25,224	1,404	156,564
2022-2026	139,224	15,936	864	156,024
2027-2031	149,160	6,000	300	155,460
2032	10,234	13	6	10,253
Total	\$ 542,014	\$ 78,529	\$ 4,410	\$ 624,953

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Henderson County School Department for the year ended June 30, 2011, was as follows:

Governmental Activities:

	Other Loan	Other Postemployment Benefits
Balance, July 1, 2010	\$ 0	\$ 411,920
Additions	542,014	212,978
Deductions	0	(132,695)
Balance, June 30, 2011	<u>\$ 542,014</u>	<u>\$ 492,203</u>
Balance Due Within One Year	<u>\$ 15,768</u>	<u>\$ 0</u>

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

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Henderson County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2011, were \$95,498 and \$26,323, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

H. Short-term Debt

Henderson County issued a tax anticipation note in advance of property tax collections and deposited the proceeds in the School Transportation Fund. This note was necessary because funds were not available for general operating expenses coming due before current tax collections. Short-term debt activity for the year ended June 30, 2011, was as follows:

	Balance 7-1-10	Issued	Paid	Balance 6-30-11
Tax Anticipation Note	\$ 0	\$ 200,000	\$ (200,000)	\$ 0

V. **OTHER INFORMATION**

A. **Risk Management**

Henderson County

Employee Health Insurance

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

Workers' Compensation Insurance

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

Liability, Property, and Casualty

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

Discretely Presented Henderson County School Department

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

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

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

B. Accounting Change

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* became effective for the year ended June 30, 2011.

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications include nonspendable, restricted, committed, assigned, and unassigned and are based on the relative strength of the constraints that control how specific amounts can be spent. Also, Statement No. 54 clarified the definitions of the General Fund and the special revenue, capital projects, debt service, and permanent fund types. Henderson County and the Henderson County School Department have implemented provisions of this statement in the financial statements of this report for their governmental funds.

C. Subsequent Event

On September 19, 2011, the county's General Debt Service Fund issued a \$200,000 tax anticipation note to the School Transportation Fund for temporary operating funds.

D. Contingent Liabilities

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

E. Changes in Administration

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

On February 18, 2011, Ann Grant left the Office of Finance Director and was succeeded by Jennifer Fesmire on April 1, 2011.

F. Landfill Closure/Postclosure Care Costs

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

State and federal laws and regulations require the city and county to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Henderson County and the City of Lexington closed their sanitary landfill in 1997. The \$101,020 reported as postclosure care liability at June 30, 2011, represents the county's 50 percent share of the amounts based on what it would cost to perform all postclosure care in 2011. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

G. Joint Ventures

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

The Beech River Regional Airport was established through a joint operations agreement between Decatur County, Henderson County, the City of Parsons, and the City of Lexington. The agreement created the Beech River Regional Airport Board to plan, develop, and maintain a regional airport that will economically benefit all residents of the two-county area. The board comprises nine members, two from each governmental unit and one appointed by the governmental entities on a one-year rotation basis. Each participant retains a 25 percent ownership in the airport; however, participants do not retain an equity interest in the airport. During the year ended June 30, 2011, the county appropriated an operating subsidy of \$21,646 to the airport.

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

Administrative Offices:

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

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

H. Retirement Commitments

Plan Description

County Employees

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

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

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

County Officials

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

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

Funding Policy

County Employees

Henderson County government requires employees to contribute five percent of their earnable compensation to the plan. The county is required to

contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2011, was 8.7 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

County Officials

Henderson County requires employees to contribute five percent of their earnable compensation to the plan. The department is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2011, was 5.52 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the department is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

County Employees

For the year ended June 30, 2011, the county’s annual pension cost of \$545,003 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of 2.5 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 ten-year period. The metropolitan government’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009, was 13 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
6-30-11	\$545,003	100%	\$0
6-30-10	497,372	100	0
6-30-09	481,686	100	0

County Officials

For the year ended June 30, 2011, the county's annual pension cost of \$42,095 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of 2.5 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 ten-year period. The county's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009, was 20 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6-30-11	\$42,095	100%	\$0
6-30-10	44,306	100	0
6-30-09	42,755	100	0

Funded Status and Funding Progress

County Employees

As of July 1, 2009, the most recent actuarial valuation date, the plan was 71.3 percent funded. The actuarial accrued liability for benefits was \$7 million, and the actuarial value of assets was \$5 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$2 million. The covered payroll (annual payroll of active employees covered by the plan) was \$5 million, and the ratio of the UAAL to the covered payroll was 37.25 percent.

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

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

County Officials

As of July 1, 2009, the most recent actuarial valuation date, the plan was 81.56 percent funded. The actuarial accrued liability for benefits was \$1 million, and the actuarial value of assets was \$1 million, resulting in an unfunded actuarial accrued liability (UAAL) of zero. The covered payroll (annual payroll of active employees covered by the plan) was \$2 million, and the ratio of the UAAL to the covered payroll was 33 percent.

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

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

SCHOOL TEACHERS

Plan Description

The 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. Cost of living adjustments (COLA) are 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.

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2011, was 9.05 percent of annual covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2011, 2010, and 2009, were \$1,211,844, \$802,877, and \$784,098, respectively, equal to the required contributions for each year.

I. Other Postemployment Benefits (OPEB)

Plan Description

Henderson County and the School Department participate in the state-administered Local Government Group Insurance Plan and Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated (TCA)*, for local education employees and Section 8-27-207, *TCA*, for local governments. In previous fiscal years, prior to reaching the age of 65, all members had the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. However, as of January 1, 2010, the insurance plan structure was changed, and as a result all members now have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in

the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tn.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year ended June 30, 2011, Henderson County and the School Department contributed \$4,705 and \$132,695, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Government Group Plan	Local Education Group Plan
ARC	\$ 46,000	\$ 212,000
Interest on the NPO	2,723	18,536
Adjustment to the ARC	(2,579)	(17,558)
Annual OPEB cost	\$ 46,144	\$ 212,978
Less: Amount of contribution	(4,705)	(132,695)
Increase/Decrease in NPO	\$ 41,439	\$ 80,283
Net OPEB obligation, 7-1-10	60,514	411,920
Net OPEB obligation, 6-30-11	\$ 101,953	\$ 492,203

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-09	Local Government Group	\$ 15,264	34%	\$ 19,069
6-30-10	"	45,045	8	60,514
6-30-11	"	46,144	10	101,953
6-30-09	Local Education Group	260,389	30	337,005
6-30-10	"	203,801	63	411,920
6-30-11	"	212,978	62	492,203

Funding Status and Funding Progress

The funded status of the plan as of July 1, 2010, was as follows:

	Local Government Group Plan	Local Education Group Plan
Actuarial valuation date	7-1-10	7-1-10
Actuarial accrued liability (AAL)	\$ 290,000	\$ 2,111,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 290,000	\$ 2,111,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 3,946,730	\$ 9,770,305
UAAL as a % of covered payroll	7%	22%

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

Actuarial Methods and Assumptions

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

In the July 1, 2010, actuarial valuation for the Local Education Plan, 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) and an annual healthcare cost trend rate of ten percent for fiscal year 2011. The trend will decrease to 9.5 percent in fiscal year 2012 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. The annual healthcare cost trend rate for the Local Government plan was ten percent for fiscal year 2011. The trend will decrease to 9.5 percent in fiscal year 2012 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. All rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level of percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

J. Office of Central Accounting and Budgeting

Office of Director of Finance

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

K. Purchasing Law

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

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

A. General Information

Component Unit

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

operating headquarters. The district reimburses the County Commission a portion of personnel salaries, which is shown in expenses under contract with government agencies.

B. Summary of Significant Accounting Policies

1. GASB Conformity

The financial statements included herein are prepared in conformity with generally accepted accounting principles as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 20, *Election of a Reporting Method*, required the Henderson County Emergency Communications District to elect either (1) all provisions of the Financial Accounting Standards Board (FASB) issued prior to 1989 for proprietary type funds, or (2) all provisions of the FASB regardless of the issue date for proprietary type funds. The district elected to adopt only the provisions of FASB prior to 1989.

2. Measurement Focus and Basis of Accounting

The district uses the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities associated with their activities are reported.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Revenues and expenses are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

3. Cash and Cash Equivalents

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

4. Receivables

Receivables consist of all revenues earned at year-end and not yet received. Balances reported at year-end include telephone wireless fees due from phone companies, wireless charges due the State of

Tennessee, and grant receivables due from the Tennessee Emergency Communications Board.

5. Capital Assets

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

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

6. Operating Revenues and Expenses

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

7. Fund Accounting

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

Proprietary Funds

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

C. Revenues

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

D. Risk Management

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

E. Contract Agreement

In a prior year, the district entered into an agreement with Henderson County whereby the board of the district is charged with the responsibilities of establishing and collecting service fees; seeking additional funding and issuing bonds, if necessary; and creating a dispatch service and determining the mode. Further, the parties agreed that the county would serve as the administrative unit with the responsibility to operate the dispatch facility in a manner consistent with statutory requirements. The district has agreed to remit funds to the county to cover a portion of employees' wages and benefits. This year the district remitted \$196,814 to the county.

F. Capital Assets

Capital assets activity for the year ended June 30, 2011, was as follows:

<u>Description</u>	<u>Balance</u>			<u>Balance</u>
	<u>7-1-10</u>	<u>Increases</u>	<u>Decreases</u>	<u>6-30-11</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 25,786	\$ 0	\$ 600	\$ 25,186
Office Equipment	10,293	0	0	10,293
Communications Equipment	129,162	274,304	0	403,466
Vehicles	12,800	0	0	12,800
Total Capital Assets				
Depreciated	\$ 178,041	\$ 274,304	\$ 600	\$ 451,745

Capital Assets (Cont.)

Description	Balance			Balance 6-30-11
	7-1-10	Increases	Decreases	
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 16,712	\$ 630	\$ 600	\$ 16,742
Office Equipment	10,028	265	0	10,293
Communications Equipment	38,517	30,403	0	68,920
Vehicles	12,160	640	0	12,800
Total Capital Assets				
Depreciated	\$ 77,417	\$ 31,938	\$ 600	\$ 108,755
Total Capital Assets, Net	\$ 100,624	\$ 242,366	\$ 0	\$ 342,990

Depreciation expense of \$31,938 was recorded by the district.

G. Stewardship, Compliance, and Accountability

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

1. Deposits and Investments Laws and Regulations

The district's investment policies are governed by state statute. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit, and savings accounts. The district has no policy that further limits allowable investments. At June 30, 2011, investments consisted entirely of certificates of deposit with original maturities greater than three months at a local bank. Investments are carried at cost, which approximates fair value.

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

2. Budget Appropriations

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

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

H. Estimates and Assumptions

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 4,276,112	\$ 0	\$ 4,276,112	\$ 4,061,700	\$ 4,189,794	\$ 86,318
Licenses and Permits	950	0	950	1,500	1,500	(550)
Fines, Forfeitures, and Penalties	340,801	0	340,801	175,000	269,820	70,981
Charges for Current Services	47,671	0	47,671	14,500	37,282	10,389
Other Local Revenues	249,042	0	249,042	111,000	186,712	62,330
Fees Received from County Officials	438,553	0	438,553	427,000	527,080	(88,527)
State of Tennessee	591,032	0	591,032	258,566	623,125	(32,093)
Federal Government	520,124	0	520,124	22,600	811,317	(291,193)
Other Governments and Citizens Groups	322,251	0	322,251	335,803	357,504	(35,253)
Total Revenues	\$ 6,786,536	\$ 0	\$ 6,786,536	\$ 5,407,669	\$ 7,004,134	\$ (217,598)
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	\$ 79,475	\$ 0	\$ 79,475	\$ 77,049	\$ 79,478	\$ 3
Board of Equalization	1,300	0	1,300	1,500	1,500	200
County Mayor/Executive	137,776	0	137,776	115,131	417,273	279,497
County Attorney	7,377	0	7,377	7,509	7,679	302
Election Commission	155,300	0	155,300	158,433	160,385	5,085
Register of Deeds	144,552	0	144,552	144,796	150,706	6,154
County Buildings	297,579	(500)	297,079	335,750	311,280	14,201
<u>Finance</u>						
Accounting and Budgeting	325,396	(25,170)	300,226	261,174	309,560	9,334
Property Assessor's Office	166,856	(1,489)	165,367	181,741	170,915	5,548
Reappraisal Program	37,662	0	37,662	39,891	38,857	1,195
County Trustee's Office	25,728	0	25,728	24,300	28,457	2,729

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Finance (Cont.)</u>						
County Clerk's Office	\$ 28,249	\$ 0	\$ 28,249	\$ 30,808	\$ 29,872	\$ 1,623
<u>Administration of Justice</u>						
Circuit Court	137,496	0	137,496	47,582	142,705	5,209
General Sessions Court	158,043	0	158,043	162,423	161,151	3,108
Drug Court	1,000	0	1,000	0	1,000	0
Chancery Court	26,571	(303)	26,268	25,500	29,146	2,878
Juvenile Court	45,666	0	45,666	46,846	47,846	2,180
<u>Public Safety</u>						
Sheriff's Department	1,432,095	(11,682)	1,420,413	1,224,770	1,438,238	17,825
Administration of the Sexual Offender Registry	10,598	0	10,598	0	10,599	1
Workhouse	1,278,267	0	1,278,267	1,000,358	1,303,130	24,863
Fire Prevention and Control	1,138,222	0	1,138,222	214,345	1,162,086	23,864
Civil Defense	27,844	0	27,844	29,956	29,968	2,124
Rescue Squad	0	0	0	15,000	15,000	15,000
Other Emergency Management	9,026	0	9,026	8,802	9,403	377
County Coroner/Medical Examiner	24,439	0	24,439	48,013	33,013	8,574
Other Public Safety	362,639	0	362,639	388,968	380,568	17,929
<u>Public Health and Welfare</u>						
Local Health Center	128,465	(45)	128,420	36,280	133,026	4,606
Alcohol and Drug Programs	6,000	0	6,000	8,000	8,000	2,000
Other Local Health Services	1,500	0	1,500	4,000	4,000	2,500
Appropriation to State	12,300	0	12,300	12,300	12,300	0
Aid to Dependent Children	0	0	0	700	700	700
Waste Pickup	68,233	0	68,233	33,066	71,266	3,033

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Social, Cultural, and Recreational Services</u>						
Adult Activities	\$ 2,807	\$ 0	\$ 2,807	\$ 5,808	\$ 5,808	\$ 3,001
Senior Citizens Assistance	15,500	0	15,500	15,500	15,500	0
Libraries	39,199	0	39,199	40,000	39,199	0
Other Social, Cultural, and Recreational	17,325	0	17,325	16,000	17,400	75
<u>Agriculture and Natural Resources</u>						
Agriculture Extension Service	66,835	0	66,835	68,815	72,215	5,380
Soil Conservation	17,000	(145)	16,855	16,889	18,164	1,309
Flood Control	15,025	0	15,025	5,000	15,025	0
<u>Other Operations</u>						
Tourism	16,602	0	16,602	7,000	16,910	308
Industrial Development	10,000	0	10,000	7,000	13,500	3,500
Veterans' Services	41,982	0	41,982	43,817	44,597	2,615
Other Charges	238,285	0	238,285	310,984	243,437	5,152
Employee Benefits	45,364	0	45,364	28,168	64,168	18,804
Payments to Cities	14,169	0	14,169	18,680	18,680	4,511
ARRA Grant No. 1	16,725	0	16,725	0	16,725	0
Miscellaneous	146,930	(500)	146,430	126,474	167,592	21,162
<u>Principal on Debt</u>						
General Government	62,700	0	62,700	0	63,282	582
<u>Interest on Debt</u>						
General Government	15,513	0	15,513	0	15,518	5
Total Expenditures	\$ 7,057,615	\$ (39,834)	\$ 7,017,781	\$ 5,395,126	\$ 7,546,827	\$ 529,046
Excess (Deficiency) of Revenues Over Expenditures	\$ (271,079)	\$ 39,834	\$ (231,245)	\$ 12,543	\$ (542,693)	\$ 311,448

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 405,000	0	\$ 405,000	0	\$ 405,000	\$ 0
Insurance Recovery	23,576	0	23,576	0	15,256	8,320
Total Other Financing Sources (Uses)	\$ 428,576	0	\$ 428,576	0	\$ 420,256	\$ 8,320
Net Change in Fund Balance	\$ 157,497	\$ 39,834	\$ 197,331	\$ 12,543	\$ (122,437)	\$ 319,768
Fund Balance, July 1, 2010	1,595,046	(39,834)	1,555,212	422,698	422,698	1,132,514
Fund Balance, June 30, 2011	\$ 1,752,543	0	\$ 1,752,543	\$ 435,241	\$ 300,261	\$ 1,452,282

Exhibit E-2

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 182,831	\$ 182,120	\$ 182,120	\$ 711
Other Local Revenues	66,322	0	0	66,322
State of Tennessee	1,977,956	2,317,537	2,317,537	(339,581)
Federal Government	290,990	0	0	290,990
Total Revenues	\$ 2,518,099	\$ 2,499,657	\$ 2,499,657	\$ 18,442
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 116,929	\$ 117,061	\$ 121,912	\$ 4,983
Highway and Bridge Maintenance	1,392,376	1,342,736	1,631,812	239,436
Operation and Maintenance of Equipment	423,133	599,195	592,735	169,602
Other Charges	108,512	119,600	124,100	15,588
Employee Benefits	5,028	27,200	10,200	5,172
Capital Outlay	212,295	797,342	713,301	501,006
<u>Principal on Debt</u>				
Highways and Streets	17,009	0	18,000	991
<u>Interest on Debt</u>				
Highways and Streets	1,595	0	2,000	405
Total Expenditures	\$ 2,276,877	\$ 3,003,134	\$ 3,214,060	\$ 937,183
Excess (Deficiency) of Revenues Over Expenditures	\$ 241,222	\$ (503,477)	\$ (714,403)	\$ 955,625
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 21,708	\$ 0	\$ 0	\$ 21,708
Transfers In	0	0	210,926	(210,926)
Total Other Financing Sources (Uses)	\$ 21,708	\$ 0	\$ 210,926	\$ (189,218)
Net Change in Fund Balance	\$ 262,930	\$ (503,477)	\$ (503,477)	\$ 766,407
Fund Balance, July 1, 2010	809,283	638,297	638,297	170,986
Fund Balance, June 30, 2011	\$ 1,072,213	\$ 134,820	\$ 134,820	\$ 937,393

Exhibit E-3

Henderson County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and the Discretely Presented Henderson County School Department
June 30, 2011

(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)
County Officials	\$ 1,104	\$ 1,353	\$ 250	81.56 %	756	33
"	928	1,034	106	89.75	594	17.85
County Employees	4,773	6,695	1,921	71.3	5,158	37.25
"	3,435	4,298	863	79.92	4,588	18.81

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

Exhibit E-4

Henderson County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Primary Government and the Discretely Presented Henderson County School Department
June 30, 2011

(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	\$ 98	\$ 98	0 %	\$ 1,759	6 %
"	7-1-09	0	269	269	0	3,843	7
"	7-1-10	0	290	290	0	3,947	7
<u>DISCRETELY PRESENTED HENDERSON COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-07	0	2,448	2,448	0	7,821	31
"	7-1-09	0	2,048	2,048	0	9,673	21
"	7-1-10	0	2,111	2,111	0	9,770	22

HENDERSON COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2011

BUDGETARY INFORMATION

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

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

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

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

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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

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

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

Debt Service Fund

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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

Capital Projects Fund

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

General Capital Projects Fund – The General Capital Projects Fund is used to account for transactions involving the construction of a new criminal justice complex.

Exhibit F-1

Henderson County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2011

	Special Revenue Funds				Total	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Rural Debt Service				
Cash	\$ 0	\$ 0	\$ 956,078	\$ 0	\$ 956,078	\$ 0	\$ 0	\$ 956,078
Equity in Pooled Cash and Investments	129,162	108,624	0	694,649	237,786	4,049	0	936,484
Accounts Receivable	64	0	33,425	0	33,489	0	0	33,489
Due from Other Governments	1,400	0	0	98,508	1,400	0	0	99,908
Property Taxes Receivable	344,665	0	0	0	344,665	0	0	344,665
Allowance for Uncollectible Property Taxes	(6,467)	0	0	0	(6,467)	0	0	(6,467)
Total Assets	\$ 468,824	\$ 108,624	\$ 989,503	\$ 793,157	\$ 1,566,951	\$ 4,049	\$ 0	\$ 2,364,157

ASSETS

LIABILITIES AND FUND BALANCES

Total Assets	\$ 468,824	\$ 108,624	\$ 989,503	\$ 793,157	\$ 1,566,951	\$ 4,049	\$ 0	\$ 2,364,157
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Liabilities								
Due to Other Funds	\$ 1,926	\$ 0	\$ 18,883	\$ 20,809	\$ 20,809	\$ 0	\$ 0	\$ 20,809
Deferred Revenue - Current Property Taxes	325,117	0	0	325,117	325,117	0	0	325,117
Deferred Revenue - Delinquent Property Taxes	12,230	0	0	12,230	12,230	0	0	12,230
Other Deferred Revenues	1,400	0	0	1,400	1,400	51,238	0	52,638
Total Liabilities	\$ 340,673	\$ 0	\$ 18,883	\$ 359,556	\$ 51,238	\$ 0	\$ 0	\$ 410,794

Fund Balances								
Restricted:								
Restricted for Public Safety	\$ 0	\$ 108,624	\$ 0	\$ 108,624	\$ 108,624	\$ 0	\$ 0	\$ 108,624
Restricted for Public Health and Welfare	123,043	0	0	123,043	123,043	0	0	123,043
Restricted for Debt Service	0	0	0	0	0	741,919	0	741,919
Restricted for Capital Projects	0	0	0	0	0	0	217	217
Committed:								
Committed for Finance	0	0	559,931	559,931	559,931	0	0	559,931
Committed for Administration of Justice	0	0	410,689	410,689	410,689	0	0	410,689
Committed for Public Health and Welfare	5,108	0	0	5,108	5,108	0	0	5,108
Committed for Capital Projects	0	0	0	0	0	0	3,832	3,832
Total Fund Balances	\$ 128,151	\$ 108,624	\$ 970,620	\$ 1,207,395	\$ 741,919	\$ 4,049	\$ 0	\$ 1,953,363

Total Liabilities and Fund Balances	\$ 468,824	\$ 108,624	\$ 989,503	\$ 793,157	\$ 1,566,951	\$ 4,049	\$ 0	\$ 2,364,157
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Exhibit F-2

Henderson County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2011

	Special Revenue Funds			Total	Debt Service Fund		Capital Projects Fund		Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees		Rural Debt Service	General Capital Projects	Total		
							Debt Service Fund	Capital Projects Fund	
<u>Revenues</u>									
Local Taxes	\$ 329,263	\$ 0	\$ 0	\$ 329,263	\$ 567,038	\$ 0	\$ 0	\$ 567,038	\$ 896,301
Fines, Forfeitures, and Penalties	0	51,872	0	51,872	0	0	0	0	51,872
Charges for Current Services	0	0	980,132	980,132	0	0	0	0	980,132
Other Local Revenues	30,521	0	0	30,521	17,145	3,832	0	20,977	51,498
State of Tennessee	6,478	0	0	6,478	0	0	0	0	6,478
<u>Total Revenues</u>	\$ 366,262	\$ 51,872	\$ 980,132	\$ 1,398,266	\$ 584,183	\$ 3,832	\$ 0	\$ 588,015	\$ 1,986,281
<u>Expenditures</u>									
Current:									
Finance	\$ 0	\$ 0	\$ 435,341	\$ 435,341	\$ 0	\$ 0	\$ 0	\$ 0	\$ 435,341
Administration of Justice	0	0	581,798	581,798	0	0	0	0	581,798
Public Safety	0	56,004	0	56,004	0	0	0	0	56,004
Public Health and Welfare	387,654	0	0	387,654	0	0	0	0	387,654
Debt Service:									
Principal on Debt	0	0	0	0	615,000	0	0	615,000	615,000
Interest on Debt	0	0	0	0	118,368	0	0	118,368	118,368
Other Debt Service	0	0	0	0	6,294	0	0	6,294	6,294
Capital Projects	0	0	0	0	0	811,567	0	811,567	811,567
<u>Total Expenditures</u>	\$ 387,654	\$ 56,004	\$ 1,017,139	\$ 1,460,797	\$ 739,662	\$ 811,567	\$ 0	\$ 1,551,229	\$ 3,012,026
Excess (Deficiency) of Revenues Over Expenditures	\$ (21,392)	\$ (4,132)	\$ (37,007)	\$ (62,531)	\$ (155,479)	\$ (807,735)	\$ 0	\$ (1,025,745)	\$ (1,025,745)
Net Change in Fund Balances	\$ (21,392)	\$ (4,132)	\$ (37,007)	\$ (62,531)	\$ (155,479)	\$ (807,735)	\$ 0	\$ (1,025,745)	\$ (1,025,745)
Fund Balance, July 1, 2010	149,543	112,756	1,007,627	1,269,926	897,398	811,784	0	1,709,182	2,979,108
Fund Balance, June 30, 2011	\$ 128,151	\$ 108,624	\$ 970,620	\$ 1,207,395	\$ 741,919	\$ 4,049	\$ 0	\$ 1,212,443	\$ 1,953,363

Exhibit F-3

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 329,263	\$ 320,676	\$ 320,676	\$ 8,587
Other Local Revenues	30,521	15,000	15,000	15,521
State of Tennessee	6,478	0	0	6,478
Total Revenues	<u>\$ 366,262</u>	<u>\$ 335,676</u>	<u>\$ 335,676</u>	<u>\$ 30,586</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Education/Information	\$ 387,654	\$ 406,047	\$ 406,047	\$ 18,393
Total Expenditures	<u>\$ 387,654</u>	<u>\$ 406,047</u>	<u>\$ 406,047</u>	<u>\$ 18,393</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (21,392)</u>	<u>\$ (70,371)</u>	<u>\$ (70,371)</u>	<u>\$ 48,979</u>
Net Change in Fund Balance	\$ (21,392)	\$ (70,371)	\$ (70,371)	\$ 48,979
Fund Balance, July 1, 2010	<u>149,543</u>	<u>147,671</u>	<u>147,671</u>	<u>1,872</u>
Fund Balance, June 30, 2011	<u>\$ 128,151</u>	<u>\$ 77,300</u>	<u>\$ 77,300</u>	<u>\$ 50,851</u>

Exhibit F-4

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Drug Control Fund
For the Year Ended June 30, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 51,872	0 \$	51,872 \$	36,000 \$	36,000 \$	15,872
Total Revenues	\$ 51,872	0 \$	51,872 \$	36,000 \$	36,000 \$	15,872
<u>Expenditures</u>						
<u>Public Safety</u>						
Drug Enforcement	\$ 56,004	(639) \$	55,365 \$	35,100 \$	35,100 \$	(20,265)
Total Expenditures	\$ 56,004	(639) \$	55,365 \$	35,100 \$	35,100 \$	(20,265)
Excess (Deficiency) of Revenues Over Expenditures	\$ (4,132)	639 \$	(3,493) \$	900 \$	900 \$	(4,393)
Net Change in Fund Balance Fund Balance, July 1, 2010	\$ (4,132)	639 \$	(3,493) \$	900 \$	900 \$	(4,393)
	112,756	(639)	112,117	111,181	111,181	936
Fund Balance, June 30, 2011	\$ 108,624	0 \$	108,624 \$	112,081 \$	112,081 \$	(3,457)

Exhibit F-5

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Rural Debt Service Fund
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 567,038	\$ 400,000	\$ 400,000	\$ 167,038
Other Local Revenues	17,145	5,000	5,500	11,645
Total Revenues	<u>\$ 584,183</u>	<u>\$ 405,000</u>	<u>\$ 405,500</u>	<u>\$ 178,683</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 615,000	\$ 622,000	\$ 615,000	\$ 0
<u>Interest on Debt</u>				
Education	118,368	119,368	119,368	1,000
<u>Other Debt Service</u>				
Education	6,294	0	7,500	1,206
Total Expenditures	<u>\$ 739,662</u>	<u>\$ 741,368</u>	<u>\$ 741,868</u>	<u>\$ 2,206</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (155,479)</u>	<u>\$ (336,368)</u>	<u>\$ (336,368)</u>	<u>\$ 180,889</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 292,805	\$ 292,805	\$ (292,805)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 292,805</u>	<u>\$ 292,805</u>	<u>\$ (292,805)</u>
Net Change in Fund Balance	\$ (155,479)	\$ (43,563)	\$ (43,563)	\$ (111,916)
Fund Balance, July 1, 2010	<u>897,398</u>	<u>851,341</u>	<u>851,341</u>	<u>46,057</u>
Fund Balance, June 30, 2011	<u>\$ 741,919</u>	<u>\$ 807,778</u>	<u>\$ 807,778</u>	<u>\$ (65,859)</u>

Major Governmental Fund

General Debt Service Fund

The General Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Exhibit G

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,598,760	\$ 2,421,272	\$ 2,421,272	\$ 177,488
Other Local Revenues	86,019	50,000	50,000	36,019
Other Governments and Citizens Groups	292,805	0	0	292,805
Total Revenues	<u>\$ 2,977,584</u>	<u>\$ 2,471,272</u>	<u>\$ 2,471,272</u>	<u>\$ 506,312</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 75,000	\$ 182,700	\$ 75,000	\$ 0
Education	1,292,300	1,297,300	1,324,729	32,429
<u>Interest on Debt</u>				
General Government	619,613	629,331	619,632	19
Education	595,196	595,109	602,786	7,590
<u>Other Debt Service</u>				
General Government	45,555	0	47,012	1,457
Education	1,319	0	5,000	3,681
Total Expenditures	<u>\$ 2,628,983</u>	<u>\$ 2,704,440</u>	<u>\$ 2,674,159</u>	<u>\$ 45,176</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 348,601</u>	<u>\$ (233,168)</u>	<u>\$ (202,887)</u>	<u>\$ 551,488</u>
Net Change in Fund Balance	\$ 348,601	\$ (233,168)	\$ (202,887)	\$ 551,488
Fund Balance, July 1, 2010	<u>4,186,533</u>	<u>4,071,609</u>	<u>4,071,609</u>	<u>114,924</u>
Fund Balance, June 30, 2011	<u>\$ 4,535,134</u>	<u>\$ 3,838,441</u>	<u>\$ 3,868,722</u>	<u>\$ 666,412</u>

Fiduciary Funds

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

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

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

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

Exhibit H-1

Henderson County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2011

	<u>Agency Funds</u>			Total
	Cities - Sales Tax	City School ADA - Lexington	Constitu- tional Officers - Agency	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 2,567,008	\$ 2,567,008
Equity in Pooled Cash and Investments	0	79,868	0	79,868
Accounts Receivable	0	97	3,224	3,321
Due from Other Governments	498,165	127,270	0	625,435
Taxes Receivable	0	484,309	0	484,309
Allowance for Uncollectible Taxes	0	(9,453)	0	(9,453)
Total Assets	<u>\$ 498,165</u>	<u>\$ 682,091</u>	<u>\$ 2,570,232</u>	<u>\$ 3,750,488</u>
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 498,165	\$ 682,091	\$ 0	\$ 1,180,256
Due to Litigants, Heirs, and Others	0	0	2,570,232	2,570,232
Total Liabilities	<u>\$ 498,165</u>	<u>\$ 682,091</u>	<u>\$ 2,570,232</u>	<u>\$ 3,750,488</u>

Exhibit H-2

Henderson County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2011

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 2,847,834	\$ 2,847,834	\$ 0
Due from Other Governments	492,758	498,165	492,758	498,165
Total Assets	\$ 492,758	\$ 3,345,999	\$ 3,340,592	\$ 498,165
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 492,758	\$ 3,345,999	\$ 3,340,592	\$ 498,165
Total Liabilities	\$ 492,758	\$ 3,345,999	\$ 3,340,592	\$ 498,165
<u>City School ADA - Lexington Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 87,940	\$ 1,319,654	\$ 1,327,726	\$ 79,868
Accounts Receivable	157	97	157	97
Due from Other Governments	131,946	127,270	131,946	127,270
Taxes Receivable	403,522	484,309	403,522	484,309
Allowance for Uncollectible Taxes	(11,035)	(9,453)	(11,035)	(9,453)
Total Assets	\$ 612,530	\$ 1,921,877	\$ 1,852,316	\$ 682,091
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 612,530	\$ 1,921,877	\$ 1,852,316	\$ 682,091
Total Liabilities	\$ 612,530	\$ 1,921,877	\$ 1,852,316	\$ 682,091
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,735,888	\$ 8,606,436	\$ 7,775,316	\$ 2,567,008
Accounts Receivable	3,212	3,224	3,212	3,224
Total Assets	\$ 1,739,100	\$ 8,609,660	\$ 7,778,528	\$ 2,570,232
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,739,100	\$ 8,609,660	\$ 7,778,528	\$ 2,570,232
Total Liabilities	\$ 1,739,100	\$ 8,609,660	\$ 7,778,528	\$ 2,570,232
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,735,888	\$ 8,606,436	\$ 7,775,316	\$ 2,567,008
Equity in Pooled Cash and Investments	87,940	4,167,488	4,175,560	79,868
Accounts Receivable	3,369	3,321	3,369	3,321
Due from Other Governments	624,704	625,435	624,704	625,435
Taxes Receivable	403,522	484,309	403,522	484,309
Allowance for Uncollectible Taxes	(11,035)	(9,453)	(11,035)	(9,453)
Total Assets	\$ 2,844,388	\$ 13,877,536	\$ 12,971,436	\$ 3,750,488
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,105,288	\$ 5,267,876	\$ 5,192,908	\$ 1,180,256
Due to Litigants, Heirs, and Others	1,739,100	8,609,660	7,778,528	2,570,232
Total Liabilities	\$ 2,844,388	\$ 13,877,536	\$ 12,971,436	\$ 3,750,488

Henderson County School Department

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

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

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

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

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

Exhibit I-1

Henderson County, Tennessee
Statement of Activities
Discretely Presented Henderson County School Department
For the Year Ended June 30, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 18,232,248	\$ 8,837	\$ 2,341,253	\$ 49,700	\$ (15,832,458)
Support Services	9,359,694	271,733	217,516	0	(8,870,445)
Operation of Non-Instructional Services	2,711,523	735,660	1,847,007	0	(128,856)
Other Debt Service	292,805	0	0	0	(292,805)
Total Governmental Activities	\$ 30,596,270	\$ 1,016,230	\$ 4,405,776	\$ 49,700	\$ (25,124,564)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 2,898,158
Local Option Sales Taxes					2,406,088
Wheel Taxes					336,004
Other Local Taxes					1,373
Grants and Contributions Not Restricted to Specific Programs					19,343,858
Miscellaneous					48,593
Total General Revenues					\$ 25,034,074
Change in Net Assets					\$ (90,490)
Net Assets, July 1, 2010					22,294,672
Net Assets, June 30, 2011					\$ 22,204,182

Exhibit I-2

Henderson County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Henderson County School Department
June 30, 2011

	Major Funds			Nonmajor	Total Governmental Funds
	General Purpose School	School Federal Projects	School Transpor - tation	Fund Central Cafeteria	
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 4,079,332	\$ 14,003	\$ 19,125	\$ 446,290	\$ 4,558,750
Accounts Receivable	33,507	0	177	0	33,684
Due from Other Governments	1,254,706	16,880	0	82,254	1,353,840
Due from Other Funds	16,783	0	0	0	16,783
Property Taxes Receivable	1,914,353	0	886,298	0	2,800,651
Allowance for Uncollectible Property Taxes	(37,367)	0	(17,257)	0	(54,624)
Total Assets	\$ 7,261,314	\$ 30,883	\$ 888,343	\$ 528,544	\$ 8,709,084
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 3,327	\$ 0	\$ 38	\$ 0	\$ 3,365
Payroll Deductions Payable	222	0	0	0	222
Contracts Payable	354,484	0	0	0	354,484
Retainage Payable	46,798	0	0	0	46,798
Due to Other Funds	0	16,783	0	0	16,783
Deferred Revenue - Current Property Taxes	1,798,107	0	832,705	0	2,630,812
Deferred Revenue - Delinquent Property Taxes	74,785	0	33,974	0	108,759
Other Deferred Revenues	217,046	0	0	0	217,046
Total Liabilities	\$ 2,494,769	\$ 16,783	\$ 866,717	\$ 0	\$ 3,378,269
<u>Fund Balances</u>					
Restricted:					
Restricted for Education	\$ 64,026	\$ 14,100	\$ 390	\$ 0	\$ 78,516
Restricted for Operation of Non-Instructional Services	0	0	0	528,544	528,544
Committed:					
Committed for Education	0	0	21,236	0	21,236
Assigned:					
Assigned for Education	1,233,282	0	0	0	1,233,282
Unassigned	3,469,237	0	0	0	3,469,237
Total Fund Balances	\$ 4,766,545	\$ 14,100	\$ 21,626	\$ 528,544	\$ 5,330,815
Total Liabilities and Fund Balances	\$ 7,261,314	\$ 30,883	\$ 888,343	\$ 528,544	\$ 8,709,084

Exhibit I-3

Henderson County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
Discretely Presented Henderson County School Department
June 30, 2011

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$	5,330,815
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	904,161	
Add: construction in progress		1,065,696	
Add: buildings and improvements net of accumulated depreciation		14,922,459	
Add: other capital assets net of accumulated depreciation		<u>689,463</u>	17,581,779
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: other loans payable	\$	(542,014)	
Less: other postemployment benefits liability		<u>(492,203)</u>	(1,034,217)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>325,805</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>22,204,182</u></u>

Exhibit I-4

Henderson County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Henderson County School Department
For the Year Ended June 30, 2011

	Major Funds			Nonmajor	Total
	General Purpose School	School Federal Projects	School Transportation	Fund Central Cafeteria	
<u>Revenues</u>					
Local Taxes	\$ 4,728,301	\$ 0	\$ 914,246	\$ 0	\$ 5,642,547
Licenses and Permits	2,309	0	0	0	2,309
Charges for Current Services	273,735	0	0	734,550	1,008,285
Other Local Revenues	103,143	0	14,309	0	117,452
State of Tennessee	19,152,314	90,000	0	0	19,242,314
Federal Government	218,574	2,975,632	0	1,360,396	4,554,602
Total Revenues	\$ 24,478,376	\$ 3,065,632	\$ 928,555	\$ 2,094,946	\$ 30,567,509
<u>Expenditures</u>					
Current:					
Instruction	\$ 15,222,534	\$ 2,240,352	\$ 0	\$ 0	\$ 17,462,886
Support Services	7,655,920	949,802	1,044,919	0	9,650,641
Operation of Non-Instructional Services	549,823	0	0	2,080,144	2,629,967
Capital Outlay	940,806	0	0	0	940,806
Debt Service:					
Other Debt Service	292,805	0	0	0	292,805
Total Expenditures	\$ 24,661,888	\$ 3,190,154	\$ 1,044,919	\$ 2,080,144	\$ 30,977,105
Excess (Deficiency) of Revenues					
Over Expenditures	\$ (183,512)	\$ (124,522)	\$ (116,364)	\$ 14,802	\$ (409,596)
<u>Other Financing Sources (Uses)</u>					
Other Loans Issued	\$ 542,014	\$ 0	\$ 0	\$ 0	\$ 542,014
Insurance Recovery	36,504	0	0	0	36,504
Transfers In	9,756	0	0	0	9,756
Transfers Out	0	(9,756)	0	0	(9,756)
Total Other Financing Sources (Uses)	\$ 588,274	\$ (9,756)	\$ 0	\$ 0	\$ 578,518
Net Change in Fund Balances	\$ 404,762	\$ (134,278)	\$ (116,364)	\$ 14,802	\$ 168,922
Fund Balance, July 1, 2010	4,361,783	148,378	137,990	513,742	5,161,893
Fund Balance, June 30, 2011	\$ 4,766,545	\$ 14,100	\$ 21,626	\$ 528,544	\$ 5,330,815

Exhibit I-5

Henderson County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Henderson County School Department
For the Year Ended June 30, 2011

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)		\$	168,922
(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	\$	1,558,403	
Less: current-year depreciation expense		<u>(1,133,789)</u>	424,614
(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, 2011	\$	325,805	
Less: deferred delinquent property taxes and other deferred June 30, 2010		<u>(387,534)</u>	(61,729)
(3) The issuance of long-term debt (e.g., other loans) 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. However, the transaction does not have any effect on net assets.			
Less: other loan proceeds			(542,014)
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in other postemployment benefits liability			<u>(80,283)</u>
Change in net assets of governmental activities (Exhibit B)		\$	<u>(90,490)</u>

Exhibit I-6

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Henderson County School Department
General Purpose School Fund
For the Year Ended June 30, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures		Budgeted Amounts Original	Final	Variance with Final Budget - Positive (Negative)
				Budgetary				
				Original	Final			
<u>Revenues</u>								
Local Taxes	\$ 4,728,301	\$ 0	\$ 0	\$ 4,728,301	\$ 4,470,186	\$ 4,732,086	\$	(3,785)
Licenses and Permits	2,309	0	0	2,309	2,100	2,100		209
Charges for Current Services	273,735	0	0	273,735	200,000	270,000		3,735
Other Local Revenues	103,143	0	0	103,143	7,900	84,325		18,818
State of Tennessee	19,152,314	0	0	19,152,314	18,596,972	18,878,993		273,321
Federal Government	218,574	0	0	218,574	204,275	270,276		(51,702)
Total Revenues	\$ 24,478,376	\$ 0	\$ 0	\$ 24,478,376	\$ 23,481,433	\$ 24,237,780	\$	240,596
<u>Expenditures</u>								
<u>Instruction</u>								
Regular Instruction Program	\$ 12,117,371	(47,489)	0	\$ 12,069,882	\$ 12,277,527	\$ 12,191,173	\$	121,291
Alternative Instruction Program	40,777	0	0	40,777	44,254	42,254		1,477
Special Education Program	1,911,951	0	0	1,911,951	1,876,427	1,912,231		280
Vocational Education Program	1,075,918	(4,500)	55,924	1,127,342	1,007,038	1,147,938		20,596
Adult Education Program	76,517	(153)	0	76,364	97,041	101,635		25,271
<u>Support Services</u>								
Attendance	72,923	0	0	72,923	79,347	75,847		2,924
Health Services	249,494	0	0	249,494	259,704	259,704		10,210
Other Student Support	504,740	0	0	504,740	647,467	515,967		11,227
Regular Instruction Program	985,560	0	2,397	987,957	970,462	988,812		855
Alternative Instruction Program	72,152	0	0	72,152	69,584	73,344		1,192
Special Education Program	194,540	(7,232)	0	187,308	239,941	209,191		21,883
Vocational Education Program	93,192	0	0	93,192	90,948	93,948		756
Adult Programs	83,203	0	0	83,203	79,496	83,761		558

(Continued)

Exhibit I-6

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual		Budgeted Amounts Original	Variance with Final Budget - Positive (Negative)
				Revenues/ Expenditures			
				(Budgetary Basis)	(Budgetary Basis)		
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Other Programs	\$ 121,821	\$ 0	\$ 0	\$ 121,821	\$ 0	\$ 121,821	\$ 0
Board of Education	501,171	0	0	501,171	408,495	517,540	16,369
Director of Schools	142,738	(799)	0	141,939	153,650	153,650	11,711
Office of the Principal	1,070,398	0	0	1,070,398	1,038,501	1,075,301	4,903
Fiscal Services	92,977	0	0	92,977	93,262	97,762	4,785
Operation of Plant	1,850,632	(9,089)	0	1,841,543	1,942,520	1,860,988	19,445
Maintenance of Plant	1,567,729	(104,260)	952,625	2,416,094	348,612	1,297,372	(1,118,722)
Transportation	52,450	0	0	52,450	48,659	52,659	209
Central and Other	200	0	0	200	7,460	207,460	207,260
<u>Operation of Non-Instructional Services</u>							
Food Service	82,247	0	16,136	98,383	62,083	101,103	2,720
Early Childhood Education	467,576	(739)	0	466,837	480,400	480,400	13,563
<u>Capital Outlay</u>							
Regular Capital Outlay	940,806	(30,000)	206,200	1,117,006	785,000	1,135,000	17,994
Principal on Debt	0	0	0	0	373,555	0	0
Education	292,805	0	0	292,805	0	293,555	750
Other Debt Service	24,661,888	(204,261)	1,233,282	25,690,909	23,481,433	25,090,416	(600,493)
Education							
Total Expenditures	\$ 183,512	\$ 204,261	\$ (1,233,282)	\$ (1,212,533)	\$ 0	\$ (852,636)	\$ (359,897)
Excess (Deficiency) of Revenues Over Expenditures							

(Continued)

Exhibit I-6

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses)</u>							
Other Loans Issued	\$ 542,014	\$ 0	\$ 0	\$ 542,014	\$ 0	\$ 542,014	\$ 0
Insurance Recovery	36,504	0	0	36,504	0	0	36,504
Transfers In	9,756	0	0	9,756	0	310,622	(300,866)
Total Other Financing Sources (Uses)	\$ 588,274	\$ 0	\$ 0	\$ 588,274	\$ 0	\$ 852,636	\$ (264,362)
Net Change in Fund Balance	\$ 404,762	\$ 204,261	\$ (1,233,282)	\$ (624,259)	\$ 0	\$ 0	\$ (624,259)
Fund Balance, July 1, 2010	4,361,783	(204,261)	0	4,157,522	0	0	4,157,522
Fund Balance, June 30, 2011	\$ 4,766,545	\$ 0	\$ (1,233,282)	\$ 3,533,263	\$ 0	\$ 0	\$ 3,533,263

Exhibit I-7

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Henderson County School Department
School Federal Projects Fund
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
State of Tennessee	\$ 90,000	\$ 0	\$ 90,000	\$ 0
Federal Government	2,975,632	2,204,883	3,619,041	(643,409)
Total Revenues	\$ 3,065,632	\$ 2,204,883	\$ 3,709,041	\$ (643,409)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,196,255	\$ 714,742	\$ 1,306,612	\$ 110,357
Special Education Program	992,872	744,991	992,939	67
Vocational Education Program	42,664	0	42,664	0
Adult Education Program	8,561	0	29,433	20,872
<u>Support Services</u>				
Health Services	90,000	0	90,000	0
Other Student Support	284,032	70,332	369,339	85,307
Regular Instruction Program	248,773	249,459	428,637	179,864
Special Education Program	59,809	51,076	59,809	0
Adult Programs	197	0	492	295
Transportation	266,991	247,617	266,990	(1)
Central and Other	0	0	200,000	200,000
Total Expenditures	\$ 3,190,154	\$ 2,078,217	\$ 3,786,915	\$ 596,761
Excess (Deficiency) of Revenues Over Expenditures	\$ (124,522)	\$ 126,666	\$ (77,874)	\$ (46,648)
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 0	\$ 200,000	\$ (200,000)
Transfers Out	(9,756)	(126,666)	(10,231)	475
Total Other Financing Sources (Uses)	\$ (9,756)	\$ (126,666)	\$ 189,769	\$ (199,525)
Net Change in Fund Balance	\$ (134,278)	\$ 0	\$ 111,895	\$ (246,173)
Fund Balance, July 1, 2010	148,378	72	148,378	0
Fund Balance, June 30, 2011	\$ 14,100	\$ 72	\$ 260,273	\$ (246,173)

Exhibit I-8

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Henderson County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 734,550	\$ 1,200,000	\$ 1,200,000	\$ (465,450)
Federal Government	1,360,396	1,015,000	1,136,668	223,728
Total Revenues	<u>\$ 2,094,946</u>	<u>\$ 2,215,000</u>	<u>\$ 2,336,668</u>	<u>\$ (241,722)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 2,080,144	\$ 2,215,000	\$ 2,336,669	\$ 256,525
Total Expenditures	<u>\$ 2,080,144</u>	<u>\$ 2,215,000</u>	<u>\$ 2,336,669</u>	<u>\$ 256,525</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 14,802</u>	<u>\$ 0</u>	<u>\$ (1)</u>	<u>\$ 14,803</u>
Net Change in Fund Balance	\$ 14,802	\$ 0	\$ (1)	\$ 14,803
Fund Balance, July 1, 2010	<u>513,742</u>	<u>513,741</u>	<u>513,741</u>	<u>1</u>
Fund Balance, June 30, 2011	<u>\$ 528,544</u>	<u>\$ 513,741</u>	<u>\$ 513,740</u>	<u>\$ 14,804</u>

Exhibit I-9

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Henderson County School Department
School Transportation Fund
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 914,246	\$ 916,600	\$ 919,000	\$ (4,754)
Other Local Revenues	14,309	0	14,309	0
Total Revenues	<u>\$ 928,555</u>	<u>\$ 916,600</u>	<u>\$ 933,309</u>	<u>\$ (4,754)</u>
<u>Expenditures</u>				
<u>Support Services</u>				
Board of Education	\$ 18,142	\$ 25,000	\$ 25,000	\$ 6,858
Transportation	1,026,777	891,600	1,030,700	3,923
Total Expenditures	<u>\$ 1,044,919</u>	<u>\$ 916,600</u>	<u>\$ 1,055,700</u>	<u>\$ 10,781</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (116,364)</u>	<u>\$ 0</u>	<u>\$ (122,391)</u>	<u>\$ 6,027</u>
Net Change in Fund Balance	\$ (116,364)	\$ 0	\$ (122,391)	\$ 6,027
Fund Balance, July 1, 2010	<u>137,990</u>	<u>132,358</u>	<u>132,358</u>	<u>5,632</u>
Fund Balance, June 30, 2011	<u>\$ 21,626</u>	<u>\$ 132,358</u>	<u>\$ 9,967</u>	<u>\$ 11,659</u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

Henderson County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds
Primary Government and Discretely Presented Henderson County School Department
For the Year Ended June 30, 2011

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-10	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-11
<u>PRIMARY GOVERNMENT</u>								
<u>NOTES PAYABLE</u>								
<u>Payable through General Fund</u>								
Refunding Capital Outlay Note, Series 2005C	\$ 435,000	3.45 to 3.95 %	6-30-05	4-1-13	\$ 199,500	\$ 0	\$ 62,700	\$ 136,800
Capital Outlay Note, Series 2010	405,000	3	8-27-10	4-1-18	0	405,000	0	405,000
Total Payable through General Fund					\$ 199,500	\$ 405,000	\$ 62,700	\$ 541,800
<u>Payable through General Debt Service Fund</u>								
School Capital Outlay Note, Series 2002B	640,000	2.45 to 4.5	12-19-02	4-1-14	\$ 265,000	\$ 0	\$ 60,000	\$ 205,000
Capital Outlay Note, Series 2005A	800,000	3.45 to 4	6-30-05	4-1-17	560,000	0	70,000	490,000
Refunding Capital Outlay Note, Series 2005C	330,000	3.45 to 3.95	6-30-05	4-1-13	150,500	0	47,300	103,200
Total Payable through General Debt Service Fund					\$ 975,500	\$ 0	\$ 177,300	\$ 798,200
Total Notes Payable					\$ 1,175,000	\$ 405,000	\$ 240,000	\$ 1,340,000
<u>CAPITAL LEASE</u>								
<u>Payable through Highway/Public Works Fund</u>								
Excavator	82,975	4.59	11-7-07	10-15-12	\$ 42,478	\$ 0	\$ 17,009	\$ 25,469
Total Capital Lease					\$ 42,478	\$ 0	\$ 17,009	\$ 25,469
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
<u>High School Bonds</u>								
High School Refunding Bonds, Series 2001	3,000,000	4.7 to 5.75	2-1-00	4-1-11	\$ 100,000	\$ 0	\$ 100,000	\$ 0
School Bonds, Series 2001	8,150,000	3.5 to 5	10-11-01	4-1-17	6,240,000	0	700,000	5,540,000
School Bonds, Series 2004	1,215,000	3.85 to 6	10-25-01	4-1-16	615,000	0	90,000	525,000
High School Refunding Bonds, Series 2004	3,850,000	2 to 4.25	2-1-04	4-1-24	3,535,000	0	195,000	3,340,000
G.O. Bonds, Series 2008	2,840,000	2 to 3.875	4-1-04	4-1-20	2,665,000	0	30,000	2,635,000
G.O. Bonds, Series 2009	9,500,000	3.75 to 4.75	12-11-08	4-1-29	9,450,000	0	50,000	9,400,000
Total Payable through General Debt Service Fund	5,400,000	1.75 to 4.15	11-10-09	6-30-29	\$ 27,980,000	\$ 0	\$ 1,190,000	\$ 26,790,000

(Continued)

Exhibit J-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-10	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-11
<u>PRIMARY GOVERNMENT (CONT.)</u>								
<u>BONDS PAYABLE (CONT.)</u>								
Payable through Rural Debt Service Fund								
Rural School Refunding Bonds, Series 2004	\$ 2,140,000	2 to 3.6 %	4-1-04	4-1-17	\$ 1,780,000	\$ 0	\$ 235,000	\$ 1,545,000
School Refunding Bonds, Series 2009	2,815,000	2 to 3	11-10-09	6-30-16	2,475,000		380,000	2,095,000
Total Payable through Rural Debt Service Fund					\$ 4,255,000	\$ 0	\$ 615,000	\$ 3,640,000
Total Bonds Payable					\$ 32,235,000	\$ 0	\$ 1,805,000	\$ 30,430,000
<u>DISCRETELY PRESENTED HENDERSON COUNTY SCHOOL DEPARTMENT</u>								
<u>OTHER LOANS PAYABLE</u>								
Payable through General Purpose School Fund								
Clean Water State Revolving Fund	(1)	1.38	7-31-10	10-31-31	\$ 0	\$ 542,014	\$ 0	\$ 542,014
Total Other Loans Payable					\$ 0	\$ 542,014	\$ 0	\$ 542,014

(1) Total amount approved was \$1,934,199, of which \$1,392,185 remains available for draws as of June 30, 2011.

Exhibit J-2

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

PRIMARY GOVERNMENT

Year Ending June 30	Notes		
	Principal	Interest	Total
2012	\$ 260,000	\$ 49,917	\$ 309,917
2013	330,000	39,648	369,648
2014	215,000	26,950	241,950
2015	150,000	18,650	168,650
2016	155,000	13,300	168,300
2017	160,000	7,800	167,800
2018	70,000	2,100	72,100
Total	\$ 1,340,000	\$ 158,365	\$ 1,498,365

Year Ending June 30	Capital Lease		
	Principal	Interest	Total
2012	\$ 17,806	\$ 798	\$ 18,604
2013	7,663	88	7,751
Total	\$ 25,469	\$ 886	\$ 26,355

Year Ending June 30	Bonds		
	Principal	Interest	Total
2012	\$ 1,920,000	\$ 1,233,551	\$ 3,153,551
2013	2,015,000	1,167,172	3,182,172
2014	2,160,000	1,094,771	3,254,771
2015	2,305,000	1,012,829	3,317,829
2016	2,225,000	921,907	3,146,907
2017	2,020,000	828,415	2,848,415
2018	1,565,000	739,779	2,304,779
2019	1,725,000	681,031	2,406,031
2020	1,725,000	615,582	2,340,582
2021	1,435,000	548,206	1,983,206
2022	1,600,000	489,463	2,089,463
2023	1,610,000	423,987	2,033,987
2024	1,625,000	355,401	1,980,401
2025	1,300,000	285,938	1,585,938
2026	1,300,000	230,050	1,530,050
2027	1,300,000	173,925	1,473,925
2028	1,300,000	116,532	1,416,532
2029	1,300,000	58,900	1,358,900
Total	\$ 30,430,000	\$ 10,977,439	\$ 41,407,439

(Continued)

Exhibit J-2

Henderson County, Tennessee

Primary Government and Discretely Presented Henderson County School Department (Cont.)

DISCRETELY PRESENTED HENDERSON
COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2012	\$ 15,768	\$ 4,920	\$ 288	\$ 20,976
2013	23,916	7,116	444	31,476
2014	24,252	6,780	384	31,416
2015	24,588	6,444	372	31,404
2016	24,936	6,096	348	31,380
2017	25,272	5,760	324	31,356
2018	25,632	5,400	300	31,332
2019	25,980	5,052	276	31,308
2020	26,340	4,692	264	31,296
2021	26,712	4,320	240	31,272
2022	27,084	3,948	216	31,248
2023	27,456	3,576	192	31,224
2024	27,840	3,192	168	31,200
2025	28,224	2,808	156	31,188
2026	28,620	2,412	132	31,164
2027	29,016	2,016	108	31,140
2028	29,412	1,620	84	31,116
2029	29,832	1,200	60	31,092
2030	30,240	792	36	31,068
2031	30,660	372	12	31,044
2032	10,234	13	6	10,253
Total	\$ 542,014	\$ 78,529	\$ 4,410	\$ 624,953

Exhibit J-3

Henderson County, Tennessee
Schedule of Transfers
Discretely Presented Henderson County School Department
For the Year Ended June 30, 2011

From Fund	To Fund	Purpose	Amount
School Federal Projects	General Purpose School	Indirect costs	\$ <u>9,756</u>
Total Transfers Discretely Presented Henderson County School Department			\$ <u><u>9,756</u></u>

Henderson County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Henderson County School Department
For the Year Ended June 30, 2011

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor:				
Dennis Ray McDaniel (7-1-10 through 8-31-10)	Section 8-24-102, TCA	\$ 13,387 (1)	\$ 50,000	State Automobile Mutual Insurance Company
Dan Hughes (9-1-10 through 6-30-11)	Section 8-24-102, TCA	59,435	50,000	"
Road Supervisor	Section 8-24-102, TCA	67,927	100,000	Western Surety Company
Director of Schools	State Board of Education and County Board of Education	99,500 (2)	150,000	Tennessee Risk Management Trust
Trustee	Section 8-24-102, TCA, and County Commission	63,251 (1)	800,000	Auto-Owners Insurance Company
Assessor of Property	Section 8-24-102, TCA	61,751	25,000	Western Surety Company
Director of Finance:				
Ann Grant (7-1-10 through 2-18-11)	County Commission	62,456 (3)	50,000	"
Jennifer Fesmire (4-1-11 through 6-30-11)	County Commission	14,250	50,000	State Automobile Mutual Insurance Company
County Clerk	Section 8-24-102, TCA, and County Commission	63,251 (1)	50,000	"
Circuit, General Sessions, and Juvenile Courts Clerk	Section 8-24-102, TCA, and County Commission	67,926 (4)	50,000	"
Clerk and Master	Section 8-24-102, TCA, and County Commission	69,426 (1,4,5)	100,000	"
Register:				
Denny Phillips (7-1-10 through 8-31-10)	Section 8-24-102, TCA	10,292	25,000	"
Doug Bartholomew (9-1-10 through 6-30-11)	Section 8-24-102, TCA	51,459	25,000	"
Sheriff	Section 8-24-102, TCA	68,527 (6)	25,000	"
Employee Blanket Bonds:				
County Departments and Highway Department			150,000	Local Government Property and Casualty Fund
School Department			150,000	Tennessee Risk Management Trust

- (1) Includes a certified public administrator supplement of \$1,500.
- (2) Includes additional compensation of \$1,000 for the career ladder program.
- (3) Includes additional compensation of \$15,712 as the Circuit Court bookkeeper.
- (4) Includes additional compensation of \$6,175 for multiple courts.
- (5) Does not include special commissioner fees of \$19,529.
- (6) Includes a law enforcement training supplement of \$600.

Exhibit J-5

Henderson County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2011

	Special Revenue Funds							Debt Service Funds			Capital	
	Constituent							Rural	General	Debt	Projects	
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Debt Service					General Capital Projects
<u>Local Taxes</u>												
<u>County Property Taxes</u>												
Current Property Tax	\$ 3,381,905	\$ 304,388	\$ 0	\$ 0	\$ 169,010	\$ 1,627,370	\$ 0	\$ 0	\$ 5,482,673			
Trustee's Collections - Prior Year	114,099	13,585	0	0	7,549	68,202	0	0	203,435			
Circuit/Clerk & Master Collections - Prior Years	35,592	3,656	0	0	2,030	19,494	0	0	60,772			
Interest and Penalty	22,163	2,526	0	0	1,406	13,593	0	0	39,688			
Payments in-Lieu-of Taxes - Local Utilities	48,720	4,385	0	0	2,435	23,381	0	0	78,921			
<u>County Local Option Taxes</u>												
Local Option Sales Tax	84,518	0	0	0	0	0	565,354	0	649,872			
Hotel/Motel Tax	89,451	0	0	0	0	0	0	0	89,451			
Wheel Tax	0	0	0	0	0	842,866	0	0	842,866			
Litigation Tax - General	143,082	0	0	0	0	0	0	0	143,082			
Litigation Tax - Jail, Workhouse, or Courthouse	55,372	0	0	0	0	0	0	0	55,372			
Business Tax	225,457	0	0	0	0	0	0	0	225,457			
<u>Statutory Local Taxes</u>												
Bank Excise Tax	8,032	723	0	0	401	3,854	0	0	13,010			
Wholesale Beer Tax	66,759	0	0	0	0	0	0	0	66,759			
Interstate Telecommunications Tax	962	0	0	0	0	0	1,684	0	2,646			
Total Local Taxes	\$ 4,276,112	\$ 329,263	\$ 0	\$ 0	\$ 182,831	\$ 2,598,760	\$ 567,038	\$ 0	\$ 7,954,004			
<u>Licenses and Permits</u>												
<u>Permits</u>												
Beer Permits	\$ 950	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 950			
Total Licenses and Permits	\$ 950	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 950			
<u>Fines, Forfeitures, and Penalties</u>												
<u>Circuit Court</u>												
Fines	\$ 36,779	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 36,779			
Officers Costs	2,026	0	0	0	0	0	0	0	2,026			
Drug Control Fines	5,856	0	7,142	0	0	0	0	0	12,998			
DUI Treatment Fines	760	0	0	0	0	0	0	0	760			

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Funds			Capital Projects Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service	General Capital Projects	Total
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 177,734	\$ 0	\$ 0	\$ 0	\$ 0	\$ 86,019	\$ 17,145	\$ 3,832	\$ 284,730
Lease/Rentals	700	0	0	0	0	0	0	0	700
Sale of Materials and Supplies	534	0	0	0	63,985	0	0	0	64,519
Commissary Sales	5,001	0	0	0	0	0	0	0	5,001
Sale of Recycled Materials	0	30,521	0	0	0	0	0	0	30,521
Miscellaneous Refunds	46,744	0	0	0	2,337	0	0	0	49,081
<u>Nonrecurring Items</u>									
Sale of Equipment	11,421	0	0	0	0	0	0	0	11,421
Sale of Property	540	0	0	0	0	0	0	0	540
Damages Recovered from Individuals	4,262	0	0	0	0	0	0	0	4,262
Contributions and Gifts	1,150	0	0	0	0	0	0	0	1,150
<u>Other Local Revenues</u>	956	0	0	0	0	0	0	0	956
Total Other Local Revenues	\$ 249,042	\$ 30,521	\$ 0	\$ 0	\$ 66,322	\$ 86,019	\$ 17,145	\$ 3,832	\$ 452,881
<u>Fees Received from County Officials</u>									
<u>Excess Fees</u>									
County Clerk	\$ 28,080	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 28,080
Circuit Court Clerk	175,000	0	0	0	0	0	0	0	175,000
Trustee	135,429	0	0	0	0	0	0	0	135,429
<u>Fees in-Lieu-of Salary</u>									
Register	90,308	0	0	0	0	0	0	0	90,308
Sheriff	9,736	0	0	0	0	0	0	0	9,736
Total Fees Received from County Officials	\$ 438,553	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 438,553
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 9,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,500
<u>Public Works Grants</u>									
Bridge Program	0	0	0	0	183,734	0	0	0	183,734

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Funds			Capital Projects Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service	General Capital Projects	Total
<u>State of Tennessee (Cont.)</u>									
<u>Public Works Grants (Cont.)</u>									
Litter Program	\$ 17,626	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 17,626
<u>Other State Revenues</u>									
Income Tax	33,363	0	0	0	0	0	0	0	33,363
Beer Tax	18,724	0	0	0	0	0	0	0	18,724
Alcoholic Beverage Tax	51,583	0	0	0	0	0	0	0	51,583
Mixed Drink Tax	5,916	0	0	0	0	0	0	0	5,916
Contracted Prisoner Boarding	227,009	0	0	0	0	0	0	0	227,009
Gasoline and Motor Fuel Tax	0	0	0	0	1,773,725	0	0	0	1,773,725
Petroleum Special Tax	0	0	0	0	20,497	0	0	0	20,497
Registrar's Salary Supplement	15,164	0	0	0	0	0	0	0	15,164
Other State Grants	113,205	6,478	0	0	0	0	0	0	119,683
Other State Revenues	98,942	0	0	0	0	0	0	0	98,942
Total State of Tennessee	\$ 591,032	\$ 6,478	\$ 0	\$ 0	\$ 1,977,956	\$ 0	\$ 0	\$ 0	\$ 2,575,466
<u>Federal Government</u>									
<u>Federal Through State</u>									
Community Development	\$ 186,838	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 186,838
Civil Defense Reimbursement	314,105	0	0	0	0	0	0	0	314,105
Disaster Relief	6,988	0	0	0	290,990	0	0	0	297,978
ARRA Grant No. 1	8,393	0	0	0	0	0	0	0	8,393
Other Federal through State	3,800	0	0	0	0	0	0	0	3,800
Total Federal Government	\$ 520,124	\$ 0	\$ 0	\$ 0	\$ 290,990	\$ 0	\$ 0	\$ 0	\$ 811,114
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Contributions	\$ 22,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 292,805	\$ 0	\$ 0	\$ 314,805
Contracted Services	138,000	0	0	0	0	0	0	0	138,000
Other	162,251	0	0	0	0	0	0	0	162,251
Total Other Governments and Citizens Groups	\$ 322,251	\$ 0	\$ 0	\$ 0	\$ 0	\$ 292,805	\$ 0	\$ 0	\$ 615,056
Total	\$ 6,786,536	\$ 366,262	\$ 51,872	\$ 980,132	\$ 2,518,099	\$ 2,977,584	\$ 584,183	\$ 3,832	\$ 14,268,500

Exhibit J-6

Henderson County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Henderson County School Department
For the Year Ended June 30, 2011

	General Purpose School	School Federal Projects	Central Cafeteria	School Transpor - tation	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 1,835,448	\$ 0	\$ 0	\$ 845,046	\$ 2,680,494
Trustee's Collections - Prior Year	81,011	0	0	37,812	118,823
Circuit/Clerk & Master Collections - Prior Years	21,930	0	0	10,152	32,082
Interest and Penalty	15,163	0	0	7,054	22,217
Payments in-Lieu-of Taxes - Local Utilities	26,308	0	0	12,175	38,483
<u>County Local Option Taxes</u>					
Local Option Sales Tax	2,406,654	0	0	0	2,406,654
Wheel Tax	336,004	0	0	0	336,004
<u>Statutory Local Taxes</u>					
Bank Excise Tax	4,359	0	0	2,007	6,366
Interstate Telecommunications Tax	1,424	0	0	0	1,424
Total Local Taxes	\$ 4,728,301	\$ 0	\$ 0	\$ 914,246	\$ 5,642,547
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 1,936	\$ 0	\$ 0	\$ 0	\$ 1,936
<u>Permits</u>					
Other Permits	373	0	0	0	373
Total Licenses and Permits	\$ 2,309	\$ 0	\$ 0	\$ 0	\$ 2,309
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Tuition - Regular Day Students	\$ 3,375	\$ 0	\$ 0	\$ 0	\$ 3,375
Contract for Instructional Services with Other LEAs	270,000	0	0	0	270,000
Receipts from Individual Schools	0	0	734,550	0	734,550
TBI Criminal Background Fees	360	0	0	0	360
Total Charges for Current Services	\$ 273,735	\$ 0	\$ 734,550	\$ 0	\$ 1,008,285
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Lease/Rentals	\$ 7,270	\$ 0	\$ 0	\$ 0	\$ 7,270
Sale of Materials and Supplies	102	0	0	0	102
Refund of Telecommunication and Internet Fees (E-Rate)	29,702	0	0	0	29,702
Miscellaneous Refunds	34,284	0	0	14,309	48,593
<u>Nonrecurring Items</u>					
Sale of Property	200	0	0	0	200
Contributions and Gifts	30,811	0	0	0	30,811
<u>Other Local Revenues</u>					
Other Local Revenues	774	0	0	0	774
Total Other Local Revenues	\$ 103,143	\$ 0	\$ 0	\$ 14,309	\$ 117,452
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-Behalf Contributions for OPEB	\$ 121,821	\$ 0	\$ 0	\$ 0	\$ 121,821
<u>State Education Funds</u>					
Basic Education Program	15,720,861	0	0	0	15,720,861
Basic Education Program - ARRA	1,596,881	0	0	0	1,596,881
Early Childhood Education	466,837	0	0	0	466,837

(Continued)

Exhibit J-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	School Transpor - tation	Total
<u>State of Tennessee (Cont.)</u>					
<u>State Education Funds (Cont.)</u>					
School Food Service	\$ 19,774	\$ 0	\$ 0	\$ 0	\$ 19,774
Energy Efficient School Initiative	49,700	0	0	0	49,700
Driver Education	8,952	0	0	0	8,952
Other State Education Funds	7,025	0	0	0	7,025
Coordinated School Health - ARRA	0	90,000	0	0	90,000
Internet Connectivity - ARRA	11,042	0	0	0	11,042
Statewide Student Management System (SSMS) - ARRA	9,298	0	0	0	9,298
Career Ladder Program	157,286	0	0	0	157,286
Career Ladder - Extended Contract - ARRA	159,512	0	0	0	159,512
<u>Other State Revenues</u>					
Mixed Drink Tax	4,725	0	0	0	4,725
State Revenue Sharing - T.V.A.	791,075	0	0	0	791,075
Other State Grants	6,225	0	0	0	6,225
Safe Schools - ARRA	21,300	0	0	0	21,300
Total State of Tennessee	\$ 19,152,314	\$ 90,000	\$ 0	\$ 0	\$ 19,242,314
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 883,279	\$ 0	\$ 883,279
USDA - Commodities	0	0	121,668	0	121,668
Breakfast	0	0	355,449	0	355,449
Adult Education State Grant Program	129,844	8,822	0	0	138,666
Vocational Education - Basic Grants to States	0	63,194	0	0	63,194
Title I Grants to Local Education Agencies	0	1,222,032	0	0	1,222,032
Special Education - Grants to States	14,804	1,276,967	0	0	1,291,771
Special Education Preschool Grants	0	31,210	0	0	31,210
English Language Acquisition Grants	0	1,371	0	0	1,371
Safe and Drug-free Schools - State Grants	0	808	0	0	808
Eisenhower Professional Development State Grants	0	162,270	0	0	162,270
Race to the Top - ARRA	0	201,340	0	0	201,340
Other Federal through State	8,368	7,618	0	0	15,986
<u>Direct Federal Revenue</u>					
ROTC Reimbursement	65,558	0	0	0	65,558
Total Federal Government	\$ 218,574	\$ 2,975,632	\$ 1,360,396	\$ 0	\$ 4,554,602
Total	\$ 24,478,376	\$ 3,065,632	\$ 2,094,946	\$ 928,555	\$ 30,567,509

Exhibit J-7

Henderson County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2011

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	66,000	
Social Security		4,092	
Unemployment Compensation		456	
Employer Medicare		957	
Audit Services		7,657	
Travel		313	
Total County Commission			\$ 79,475

Board of Equalization

Board and Committee Members Fees	\$	1,300	
Total Board of Equalization			1,300

County Mayor/Executive

County Official/Administrative Officer	\$	71,322	
Secretary(ies)		20,694	
Educational Incentive - Official/Admin Officer		1,500	
Social Security		5,646	
State Retirement		5,828	
Medical Insurance		1,702	
Unemployment Compensation		180	
Employer Medicare		1,321	
Communication		13,415	
Legal Notices, Recording, and Court Costs		625	
Postal Charges		655	
Travel		2,111	
Office Supplies		2,474	
Premiums on Corporate Surety Bonds		235	
Other Charges		7,588	
Office Equipment		2,480	
Total County Mayor/Executive			137,776

County Attorney

Social Security	\$	372	
Unemployment Compensation		120	
Employer Medicare		87	
Dues and Memberships		100	
Legal Services		6,000	
Travel		698	
Total County Attorney			7,377

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission

County Official/Administrative Officer	\$	55,576	
Clerical Personnel		21,467	
Part-time Personnel		8,746	
Election Commission		2,695	
Election Workers		13,210	
In-Service Training		2,202	
Social Security		7,378	
State Retirement		6,643	
Unemployment Compensation		666	
Employer Medicare		1,726	
Communication		1,598	
Data Processing Services		2,500	
Dues and Memberships		175	
Legal Notices, Recording, and Court Costs		3,806	
Maintenance and Repair Services - Office Equipment		2,189	
Postal Charges		2,692	
Printing, Stationery, and Forms		2,856	
Rentals		8,050	
Other Contracted Services		9,600	
Office Supplies		1,192	
Other Supplies and Materials		333	
Total Election Commission			\$ 155,300

Register of Deeds

County Official/Administrative Officer	\$	61,751
Secretary(ies)		49,527
Social Security		4,927
State Retirement		6,020
Medical Insurance		1,135
Unemployment Compensation		360
Employer Medicare		1,152
Communication		1,743
Data Processing Services		5,910
Dues and Memberships		726
Maintenance Agreements		2,914
Postal Charges		396
Travel		1,384
Office Supplies		5,865
Premiums on Corporate Surety Bonds		355
Other Charges		85

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds (Cont.)

Office Equipment	\$ 302	
Total Register of Deeds		\$ 144,552

County Buildings

Custodial Personnel	\$ 37,719	
Social Security	2,275	
State Retirement	2,886	
Medical Insurance	1,399	
Unemployment Compensation	504	
Employer Medicare	532	
Licenses	355	
Maintenance and Repair Services - Buildings	38,851	
Maintenance and Repair Services - Equipment	4,555	
Maintenance and Repair Services - Vehicles	1,149	
Pest Control	1,260	
Custodial Supplies	5,261	
Electricity	129,266	
Gasoline	4,225	
Natural Gas	13,805	
Water and Sewer	29,807	
Building Improvements	23,730	
Total County Buildings		297,579

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$ 60,994
Accountants/Bookkeepers	147,472
Social Security	11,370
State Retirement	17,857
Medical Insurance	8,638
Unemployment Compensation	1,128
Employer Medicare	2,659
Communication	5,146
Data Processing Services	7,604
Legal Notices, Recording, and Court Costs	124
Maintenance Agreements	3,175
Postal Charges	3,083
Printing, Stationery, and Forms	3,498
Rentals	9,600
Travel	1,535

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Accounting and Budgeting (Cont.)

Office Supplies	\$	4,046	
Other Supplies and Materials		532	
Premiums on Corporate Surety Bonds		175	
Other Charges		11,760	
Office Equipment		25,000	
Total Accounting and Budgeting			\$ 325,396

Property Assessor's Office

County Official/Administrative Officer	\$	61,751	
Clerical Personnel		48,735	
Part-time Personnel		10,739	
Social Security		7,005	
State Retirement		7,655	
Medical Insurance		3,594	
Unemployment Compensation		575	
Employer Medicare		1,638	
Communication		1,429	
Contracts with Private Agencies		5,159	
Data Processing Services		10,513	
Dues and Memberships		1,161	
Legal Notices, Recording, and Court Costs		88	
Maintenance Agreements		2,015	
Postal Charges		846	
Printing, Stationery, and Forms		1,000	
Travel		25	
Office Supplies		1,439	
Office Equipment		1,489	
Total Property Assessor's Office			166,856

Reappraisal Program

Other Salaries and Wages	\$	27,501	
Social Security		1,614	
State Retirement		2,396	
Medical Insurance		1,135	
Unemployment Compensation		180	
Employer Medicare		377	
Data Processing Services		2,993	
Maintenance and Repair Services - Vehicles		576	
Postal Charges		318	
Gasoline		572	
Total Reappraisal Program			37,662

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office

Communication	\$	1,944	
Data Processing Services		6,964	
Legal Notices, Recording, and Court Costs		139	
Maintenance Agreements		232	
Maintenance and Repair Services - Office Equipment		449	
Postal Charges		6,137	
Printing, Stationery, and Forms		1,311	
Office Supplies		1,370	
Premiums on Corporate Surety Bonds		5,867	
Office Equipment		1,315	
Total County Trustee's Office			\$ 25,728

County Clerk's Office

Communication	\$	3,269	
Data Processing Services		13,038	
Legal Notices, Recording, and Court Costs		146	
Maintenance Agreements		2,631	
Postal Charges		4,484	
Office Supplies		3,793	
Premiums on Corporate Surety Bonds		888	
Total County Clerk's Office			28,249

Administration of Justice

Circuit Court

Other Salaries and Wages	\$	7,800
Jury and Witness Expense		2,107
Social Security		450
State Retirement		680
Medical Insurance		521
Unemployment Compensation		44
Employer Medicare		105
Communication		3,001
Dues and Memberships		521
Legal Notices, Recording, and Court Costs		370
Maintenance Agreements		4,184
Maintenance and Repair Services - Office Equipment		1,575
Postal Charges		1,600
Office Supplies		10,076
Premiums on Corporate Surety Bonds		698
Furniture and Fixtures		42,093

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Office Equipment	\$ 61,671	
Total Circuit Court		\$ 137,496

General Sessions Court

Judge(s)	\$ 110,975	
Secretary(ies)	24,394	
Social Security	8,028	
State Retirement	8,252	
Medical Insurance	1,629	
Unemployment Compensation	136	
Employer Medicare	1,938	
Communication	729	
Other Contracted Services	1,350	
Office Supplies	612	
Total General Sessions Court		158,043

Drug Court

Other Charges	\$ 1,000	
Total Drug Court		1,000

Chancery Court

Communication	\$ 2,387	
Data Processing Services	5,664	
Dues and Memberships	426	
Legal Notices, Recording, and Court Costs	5,319	
Maintenance Agreements	1,190	
Maintenance and Repair Services - Office Equipment	139	
Office Supplies	7,822	
Furniture and Fixtures	2,000	
Office Equipment	1,624	
Total Chancery Court		26,571

Juvenile Court

Guidance Personnel	\$ 30,950
In-Service Training	882
Social Security	1,813
State Retirement	2,697
Medical Insurance	2,150
Unemployment Compensation	180
Employer Medicare	424

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

Communication	\$	2,047	
Contracts with Other Public Agencies		2,318	
Travel		625	
Office Supplies		1,580	
Total Juvenile Court			\$ 45,666

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	67,927	
Deputy(ies)		744,349	
Salary Supplements		13,201	
Clerical Personnel		75,618	
Part-time Personnel		1,260	
In-Service Training		14,446	
Social Security		54,190	
State Retirement		74,850	
Medical Insurance		18,155	
Unemployment Compensation		5,384	
Employer Medicare		12,673	
Communication		24,507	
Dues and Memberships		2,459	
Legal Notices, Recording, and Court Costs		365	
Maintenance Agreements		10,224	
Maintenance and Repair Services - Equipment		26,440	
Maintenance and Repair Services - Vehicles		34,943	
Postal Charges		1,943	
Travel		1,504	
Gasoline		98,994	
Office Supplies		11,258	
Tires and Tubes		5,269	
Uniforms		16,680	
Premiums on Corporate Surety Bonds		444	
Other Charges		2,963	
Furniture and Fixtures		7,072	
Office Equipment		104,977	
Total Sheriff's Department			1,432,095

Administration of the Sexual Offender Registry

In-Service Training	\$	1,144
Office Supplies		888

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Administration of the Sexual Offender Registry (Cont.)

Other Charges	\$	1,844	
Motor Vehicles		6,722	
Total Administration of the Sexual Offender Registry			\$ 10,598

Workhouse

Guards	\$	583,761	
Cafeteria Personnel		13,771	
Other Salaries and Wages		38,460	
Social Security		38,143	
State Retirement		45,775	
Medical Insurance		20,390	
Unemployment Compensation		9,662	
Employer Medicare		8,921	
Contracts with Government Agencies		12,496	
Maintenance Agreements		7,890	
Maintenance and Repair Services - Buildings		1,719	
Maintenance and Repair Services - Equipment		1,641	
Medical and Dental Services		284,356	
Pest Control		320	
Custodial Supplies		14,210	
Electricity		22,002	
Food Supplies		108,340	
Natural Gas		2,846	
Water and Sewer		18,726	
Other Charges		44,838	
Total Workhouse			1,278,267

Fire Prevention and Control

County Official/Administrative Officer	\$	54,580	
Part-time Personnel		12,329	
In-Service Training		2,554	
Social Security		3,882	
State Retirement		4,756	
Medical Insurance		1,893	
Unemployment Compensation		427	
Employer Medicare		908	
Communication		3,321	
Dues and Memberships		200	
Maintenance and Repair Services - Equipment		9,664	
Maintenance and Repair Services - Vehicles		5,533	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

Postal Charges	\$	523	
Travel		586	
Drugs and Medical Supplies		46	
Gasoline		12,772	
Instructional Supplies and Materials		17	
Office Supplies		554	
Uniforms		348	
Utilities		2,956	
Other Supplies and Materials		519	
Trustee's Commission		443	
Other Debt Issuance Charges		10,904	
Other Equipment		1,008,507	
Total Fire Prevention and Control			\$ 1,138,222

Civil Defense

Other Salaries and Wages	\$	20,213	
In-Service Training		266	
Social Security		1,253	
Unemployment Compensation		180	
Employer Medicare		293	
Communication		1,716	
Maintenance and Repair Services - Vehicles		764	
Gasoline		1,473	
Office Supplies		368	
Office Equipment		1,318	
Total Civil Defense			27,844

Other Emergency Management

Supervisor/Director	\$	6,500	
Social Security		306	
State Retirement		566	
Medical Insurance		873	
Unemployment Compensation		64	
Employer Medicare		72	
Other Charges		645	
Total Other Emergency Management			9,026

County Coroner/Medical Examiner

Other Per Diem and Fees	\$	24,039	
Ambulance Services		400	
Total County Coroner/Medical Examiner			24,439

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Other Public Safety

County Official/Administrative Officer	\$	37,134	
Dispatchers/Radio Operators		197,114	
Clerical Personnel		31,449	
Temporary Personnel		9,322	
Part-time Personnel		13,830	
In-Service Training		2,267	
Social Security		17,557	
State Retirement		23,368	
Medical Insurance		21,100	
Unemployment Compensation		1,926	
Employer Medicare		4,106	
Maintenance Agreements		3,466	
Total Other Public Safety			\$ 362,639

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	5,895	
Other Salaries and Wages		79,091	
Social Security		4,904	
State Retirement		6,372	
Unemployment Compensation		660	
Employer Medicare		1,147	
Communication		5,837	
Maintenance and Repair Services - Buildings		1,593	
Maintenance and Repair Services - Equipment		433	
Postal Charges		239	
Travel		4,384	
Other Contracted Services		522	
Custodial Supplies		500	
Drugs and Medical Supplies		1,735	
Office Supplies		842	
Utilities		14,311	
Total Local Health Center			128,465

Alcohol and Drug Programs

Contributions	\$	6,000	
Total Alcohol and Drug Programs			6,000

Other Local Health Services

Contributions	\$	1,500	
Total Other Local Health Services			1,500

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Appropriation to State

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

Waste Pickup

Supervisor/Director	\$ 30,240	
Part-time Personnel	18,820	
Social Security	2,978	
State Retirement	2,853	
Medical Insurance	1,359	
Unemployment Compensation	381	
Employer Medicare	696	
Advertising	666	
Communication	188	
Printing, Stationery, and Forms	2,200	
Gasoline	4,947	
Instructional Supplies and Materials	2,200	
Tires and Tubes	33	
Other Charges	672	
Total Waste Pickup		68,233

Social, Cultural, and Recreational Services

Adult Activities

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

Senior Citizens Assistance

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

Libraries

Contributions	\$ 36,000	
Building and Contents Insurance	3,199	
Total Libraries		39,199

Other Social, Cultural, and Recreational

Contributions	\$ 17,325	
Total Other Social, Cultural, and Recreational		17,325

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Agriculture and Natural Resources

Agriculture Extension Service

Assistant(s)	\$	26,358	
Supervisor/Director		14,694	
Secretary(ies)		7,002	
Other Salaries and Wages		9,454	
Communication		3,817	
Maintenance Agreements		4,205	
Postal Charges		176	
Office Supplies		227	
Utilities		902	
Total Agriculture Extension Service			\$ 66,835

Soil Conservation

Secretary(ies)	\$	15,480	
Social Security		960	
Unemployment Compensation		191	
Employer Medicare		224	
Office Supplies		145	
Total Soil Conservation			17,000

Flood Control

Other Contracted Services	\$	15,025	
Total Flood Control			15,025

Other Operations

Tourism

Contributions	\$	16,260	
Other Charges		342	
Total Tourism			16,602

Industrial Development

Contributions	\$	3,500	
Other Charges		6,500	
Total Industrial Development			10,000

Veterans' Services

Supervisor/Director	\$	10,415	
Secretary(ies)		19,870	
In-Service Training		817	
Social Security		1,469	
State Retirement		2,639	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services (Cont.)

Medical Insurance	\$	3,669	
Unemployment Compensation		283	
Employer Medicare		343	
Communication		1,011	
Postal Charges		264	
Office Supplies		173	
Office Equipment		1,029	
Total Veterans' Services			\$ 41,982

Other Charges

Building and Contents Insurance	\$	51,744	
Liability Insurance		63,151	
Vehicle and Equipment Insurance		84,014	
Workers' Compensation Insurance		39,376	
Total Other Charges			238,285

Employee Benefits

Medical Insurance	\$	45,364	
Total Employee Benefits			45,364

Payments to Cities

Rentals	\$	14,169	
Total Payments to Cities			14,169

ARRA Grant No. 1

Guards	\$	14,888	
Social Security		922	
State Retirement		495	
Unemployment Compensation		204	
Employer Medicare		216	
Total ARRA Grant No. 1			16,725

Miscellaneous

Other Salaries and Wages	\$	1,538	
Social Security		87	
State Retirement		134	
Medical Insurance		95	
Employer Medicare		20	
Communication		1,174	
Contracts with Other School Systems		2,116	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous (Cont.)

Contracts with Private Agencies	\$	9,360	
Dues and Memberships		7,623	
Legal Notices, Recording, and Court Costs		979	
Maintenance Agreements		4,649	
Office Supplies		500	
Road Signs		3,243	
Premiums on Corporate Surety Bonds		1,857	
Trustee's Commission		84,300	
Other Charges		7,609	
Airport Improvement		21,646	
Total Miscellaneous			\$ 146,930

Principal on Debt

General Government

Principal on Notes	\$	62,700	
Total General Government			62,700

Interest on Debt

General Government

Interest on Notes	\$	15,513	
Total General Government			15,513

Total General Fund \$ 7,057,615

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Education/Information

Supervisor/Director	\$	9,777	
Part-time Personnel		125,108	
Other Salaries and Wages		326	
Social Security		8,339	
State Retirement		2,299	
Unemployment Compensation		1,926	
Employer Medicare		1,948	
Communication		6,264	
Contracts with Private Agencies		188,000	
Legal Notices, Recording, and Court Costs		263	
Maintenance Agreements		232	
Maintenance and Repair Services - Equipment		3,543	
Maintenance and Repair Services - Vehicles		951	

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Education/Information (Cont.)

Gasoline	\$	1,158	
Office Supplies		1,047	
Tires and Tubes		6,618	
Utilities		8,330	
Other Supplies and Materials		4,072	
Trustee's Commission		6,531	
Landfill Closure/Postclosure Care Costs		7,816	
Other Charges		2,514	
Motor Vehicles		592	
Total Sanitation Education/Information			\$ 387,654

Total Solid Waste/Sanitation Fund \$ 387,654

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	3,000	
Maintenance and Repair Services - Vehicles		3,042	
Tow-in Services		2,222	
Animal Food and Supplies		445	
Office Supplies		1,486	
Uniforms		581	
Trustee's Commission		133	
Other Charges		5,349	
Motor Vehicles		39,000	
Office Equipment		746	
Total Drug Enforcement			\$ 56,004

Total Drug Control Fund 56,004

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	209,831	
Total County Trustee's Office			\$ 209,831

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	225,510	
Total County Clerk's Office			225,510

(Continued)

Exhibit J-7

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

Constitutional Officers - Fees Fund (Cont.)

Administration of Justice

Circuit Court Clerk

Constitutional Officers' Operating Expenses	\$ 348,321	
Total Circuit Court Clerk		\$ 348,321

Chancery Court

Constitutional Officers' Operating Expenses	\$ 233,440	
Total Chancery Court		233,440

Juvenile Court

Constitutional Officers' Operating Expenses	\$ 37	
Total Juvenile Court		<u>37</u>

Total Constitutional Officers - Fees Fund		\$ 1,017,139
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Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 67,927	
Secretary(ies)	22,028	
Social Security	6,446	
State Retirement	5,586	
Medical Insurance	6,763	
Unemployment Compensation	270	
Employer Medicare	292	
Dues and Memberships	2,958	
Legal Notices, Recording, and Court Costs	425	
Maintenance and Repair Services - Office Equipment	300	
Office Supplies	721	
Other Charges	<u>3,213</u>	
Total Administration		\$ 116,929

Highway and Bridge Maintenance

Foremen	\$ 34,637
Equipment Operators	206,419
Truck Drivers	110,752
Laborers	134,691
Overtime Pay	2,225
Social Security	29,928
State Retirement	35,667
Medical Insurance	78,855
Unemployment Compensation	7,211

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Employer Medicare	\$	6,999	
Medical and Dental Services		1,745	
Asphalt - Cold Mix		43,342	
Asphalt - Liquid		284,035	
Crushed Stone		145,624	
Pipe		43,862	
Road Signs		1,243	
Wood Products		62,344	
Other Supplies and Materials		162,797	
Total Highway and Bridge Maintenance			\$ 1,392,376

Operation and Maintenance of Equipment

Foremen	\$	33,244	
Mechanic(s)		26,000	
Overtime Pay		236	
Social Security		3,688	
Medical Insurance		8,285	
Unemployment Compensation		540	
Employer Medicare		862	
Laundry Service		2,086	
Maintenance and Repair Services - Equipment		17,436	
Diesel Fuel		113,452	
Equipment and Machinery Parts		134,748	
Gasoline		42,710	
Lubricants		12,044	
Pipe		2,419	
Tires and Tubes		25,383	
Total Operation and Maintenance of Equipment			423,133

Other Charges

Communication	\$	4,988	
Maintenance and Repair Services - Buildings		75	
Electricity		7,331	
Natural Gas		2,594	
Water and Sewer		1,745	
Liability Insurance		31,794	
Trustee's Commission		21,621	
Workers' Compensation Insurance		38,364	
Total Other Charges			108,512

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits

Employee and Dependent Insurance	\$ 5,028	
Total Employee Benefits		\$ 5,028

Capital Outlay

Bridge Construction	\$ 202,460	
Highway Equipment	9,835	
Total Capital Outlay		212,295

Principal on Debt

Highways and Streets

Principal on Capital Leases	\$ 17,009	
Total Highways and Streets		17,009

Interest on Debt

Highways and Streets

Interest on Capital Leases	\$ 1,595	
Total Highways and Streets		<u>1,595</u>

Total Highway/Public Works Fund \$ 2,276,877

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 75,000	
Total General Government		\$ 75,000

Education

Principal on Bonds	\$ 1,115,000	
Principal on Notes	177,300	
Total Education		1,292,300

Interest on Debt

General Government

Interest on Bonds	\$ 619,613	
Total General Government		619,613

Education

Interest on Bonds	\$ 555,728	
Interest on Notes	39,468	
Total Education		595,196

(Continued)

Exhibit J-7

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

General Debt Service Fund (Cont.)

Other Debt Service

General Government

Fiscal Agent Charges	\$	1,050	
Trustee's Commission		44,494	
Other Charges		11	
Total General Government			\$ 45,555

Education

Fiscal Agent Charges	\$	1,319	
Total Education			1,319

Total General Debt Service Fund \$ 2,628,983

Rural Debt Service Fund

Principal on Debt

Education

Principal on Bonds	\$	615,000	
Total Education			\$ 615,000

Interest on Debt

Education

Interest on Bonds	\$	118,368	
Total Education			118,368

Other Debt Service

Education

Fiscal Agent Charges	\$	500	
Trustee's Commission		5,794	
Total Education			6,294

Total Rural Debt Service Fund 739,662

General Capital Projects Fund

Capital Projects

Administration of Justice Projects

Trustee's Commission	\$	51	
Building Construction		811,516	
Total Administration of Justice Projects			\$ 811,567

Total General Capital Projects Fund 811,567

Total Governmental Funds - Primary Government \$ 14,975,501

Exhibit J-8

Henderson County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Henderson County School Department
For the Year Ended June 30, 2011

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 8,148,377	
Career Ladder Program	81,000	
Career Ladder Extended Contracts	68,666	
Homebound Teachers	11,763	
Clerical Personnel	322,790	
Educational Assistants	192,914	
Other Salaries and Wages	132,325	
Non-certified Substitute Teachers	130,480	
Social Security	524,993	
State Retirement	793,144	
Medical Insurance	779,741	
Employer Medicare	124,285	
Tuition	49,975	
Other Contracted Services	12,000	
Instructional Supplies and Materials	161,043	
Textbooks	123,410	
Other Supplies and Materials	29,519	
Other Charges	44,073	
Regular Instruction Equipment	386,873	
Total Regular Instruction Program		\$ 12,117,371

Alternative Instruction Program

Educational Assistants	\$ 28,401	
Social Security	1,743	
State Retirement	2,471	
Employer Medicare	408	
Instructional Supplies and Materials	7,754	
Total Alternative Instruction Program		40,777

Special Education Program

Teachers	\$ 1,213,076
Career Ladder Program	13,500
Career Ladder Extended Contracts	8,662
Homebound Teachers	2,333
Educational Assistants	193,909
Certified Substitute Teachers	550
Non-certified Substitute Teachers	43,429
Social Security	77,673
State Retirement	120,640

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Medical Insurance	\$	148,803	
Employer Medicare		18,918	
Contracts with Private Agencies		28,952	
Maintenance and Repair Services - Equipment		2,000	
Instructional Supplies and Materials		34,506	
Special Education Equipment		5,000	
Total Special Education Program			\$ 1,911,951

Vocational Education Program

Teachers	\$	743,583	
Career Ladder Program		13,000	
Career Ladder Extended Contracts		6,635	
Non-certified Substitute Teachers		10,319	
Social Security		43,090	
State Retirement		68,696	
Medical Insurance		81,040	
Employer Medicare		10,077	
Instructional Supplies and Materials		25,092	
Other Supplies and Materials		40,000	
Vocational Instruction Equipment		34,386	
Total Vocational Education Program			1,075,918

Adult Education Program

Teachers	\$	40,245	
Other Salaries and Wages		14,301	
Social Security		1,661	
State Retirement		1,351	
Employer Medicare		761	
Other Supplies and Materials		16,973	
Other Charges		965	
Other Equipment		260	
Total Adult Education Program			76,517

Support Services

Attendance

Supervisor/Director	\$	57,442	
Career Ladder Program		1,000	
Social Security		3,746	
State Retirement		5,521	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

Medical Insurance	\$	878	
Employer Medicare		876	
Travel		3,460	
Total Attendance			\$ 72,923

Health Services

Medical Personnel	\$	199,393	
Social Security		11,641	
State Retirement		15,493	
Medical Insurance		10,976	
Employer Medicare		2,722	
Travel		795	
Other Supplies and Materials		6,541	
In Service/Staff Development		1,933	
Total Health Services			249,494

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		317,497	
Other Salaries and Wages		39,421	
Social Security		20,721	
State Retirement		32,191	
Medical Insurance		29,956	
Employer Medicare		4,846	
Evaluation and Testing		5,915	
Travel		7,500	
Other Supplies and Materials		1,000	
Other Charges		19,854	
Other Equipment		24,839	
Total Other Student Support			504,740

Regular Instruction Program

Supervisor/Director	\$	170,253
Career Ladder Program		11,000
Career Ladder Extended Contracts		7,151
Librarians		412,145
Instructional Computer Personnel		64,210
Other Salaries and Wages		25,109
Social Security		38,994

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

State Retirement	\$	62,345	
Medical Insurance		72,437	
Employer Medicare		9,120	
Travel		10,016	
Library Books/Media		44,964	
Other Supplies and Materials		545	
In Service/Staff Development		54,809	
Other Charges		2,462	
Total Regular Instruction Program			\$ 985,560

Alternative Instruction Program

Supervisor/Director	\$	58,882	
Social Security		3,531	
State Retirement		5,329	
Medical Insurance		3,584	
Employer Medicare		826	
Total Alternative Instruction Program			72,152

Special Education Program

Supervisor/Director	\$	62,602	
Career Ladder Program		1,000	
Assessment Personnel		44,732	
Other Salaries and Wages		18,495	
Social Security		7,026	
State Retirement		9,804	
Medical Insurance		17,508	
Employer Medicare		1,643	
Travel		3,925	
Other Supplies and Materials		3,805	
In Service/Staff Development		4,000	
Other Charges		9,338	
Other Equipment		10,662	
Total Special Education Program			194,540

Vocational Education Program

Supervisor/Director	\$	62,953	
Career Ladder Program		2,000	
Career Ladder Extended Contracts		3,000	
Social Security		4,073	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program (Cont.)

State Retirement	\$	6,150	
Medical Insurance		3,648	
Employer Medicare		953	
Travel		7,918	
Other Supplies and Materials		1,015	
Other Charges		1,482	
Total Vocational Education Program			\$ 93,192

Adult Programs

Supervisor/Director	\$	58,810	
Social Security		3,278	
State Retirement		5,322	
Medical Insurance		8,541	
Employer Medicare		767	
Travel		1,608	
In Service/Staff Development		4,877	
Total Adult Programs			83,203

Other Programs

On-Behalf Payments to OPEB	\$	121,821	
Total Other Programs			121,821

Board of Education

Board and Committee Members Fees	\$	29,550	
Social Security		1,065	
State Retirement		9	
Medical Insurance		16,911	
Unemployment Compensation		67,896	
Employer Medicare		249	
Audit Services		19,000	
Dues and Memberships		10,245	
Legal Services		31,253	
Travel		2,834	
Trustee's Commission		114,161	
Workers' Compensation Insurance		158,665	
In Service/Staff Development		7,982	
Criminal Investigation of Applicants - TBI		250	
Other Charges		41,101	
Total Board of Education			501,171

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools

County Official/Administrative Officer	\$	98,500	
Career Ladder Extended Contracts		1,000	
Social Security		5,841	
State Retirement		9,005	
Medical Insurance		6,331	
Employer Medicare		1,366	
Communication		11,904	
Dues and Memberships		1,958	
Postal Charges		3,124	
Travel		3,009	
Other Charges		700	
Total Director of Schools			\$ 142,738

Office of the Principal

Principals	\$	590,941	
Career Ladder Program		11,500	
Career Ladder Extended Contracts		10,940	
Assistant Principals		189,644	
Social Security		47,027	
State Retirement		72,665	
Medical Insurance		60,293	
Employer Medicare		10,998	
Communication		54,632	
Other Contracted Services		9,298	
Other Supplies and Materials		1,000	
In Service/Staff Development		9,242	
Other Charges		2,218	
Total Office of the Principal			1,070,398

Fiscal Services

Clerical Personnel	\$	51,295	
Social Security		2,929	
State Retirement		4,463	
Medical Insurance		4,070	
Employer Medicare		685	
Travel		500	
Other Contracted Services		1,500	
Office Supplies		4,490	
Other Charges		23,045	
Total Fiscal Services			92,977

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant

Custodial Personnel	\$	398,099	
Social Security		22,347	
State Retirement		27,266	
Medical Insurance		24,135	
Employer Medicare		5,375	
Janitorial Services		129,401	
Disposal Fees		17,139	
Other Contracted Services		40,000	
Custodial Supplies		68,552	
Electricity		675,000	
Natural Gas		167,675	
Water and Sewer		74,643	
Building and Contents Insurance		200,000	
Other Charges		1,000	
Total Operation of Plant			\$ 1,850,632

Maintenance of Plant

Supervisor/Director	\$	28,812	
Maintenance Personnel		97,818	
Social Security		7,324	
State Retirement		11,017	
Medical Insurance		8,505	
Employer Medicare		1,713	
Maintenance and Repair Services - Buildings		259,581	
Maintenance and Repair Services - Equipment		12,206	
Maintenance and Repair Services - Vehicles		2,323	
Other Contracted Services		1,043,611	
Other Supplies and Materials		50,585	
Other Charges		19,235	
Maintenance Equipment		24,999	
Total Maintenance of Plant			1,567,729

Transportation

Bus Drivers	\$	43,344	
Social Security		2,527	
Employer Medicare		579	
Maintenance and Repair Services - Vehicles		6,000	
Total Transportation			52,450

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Central and Other

Operating Lease Payments	\$ 200	
Total Central and Other		\$ 200

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 28,100	
Clerical Personnel	9,839	
In-Service Training	4,059	
Social Security	2,141	
State Retirement	3,301	
Medical Insurance	3,360	
Employer Medicare	501	
Contributions	22,000	
Travel	2,352	
Other Charges	200	
Food Service Equipment	6,394	
Total Food Service		82,247

Early Childhood Education

Teachers	\$ 187,142	
Educational Assistants	81,283	
Social Security	15,303	
State Retirement	24,008	
Medical Insurance	24,074	
Employer Medicare	3,579	
Other Contracted Services	145	
Food Supplies	4,885	
Instructional Supplies and Materials	65,010	
Other Supplies and Materials	35,611	
In Service/Staff Development	8,236	
Administration Equipment	18,300	
Total Early Childhood Education		467,576

Capital Outlay

Regular Capital Outlay

Building Improvements	\$ 940,806	
Total Regular Capital Outlay		940,806

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Other Debt Service

Education

Contributions	\$ 292,805	
Total Education		\$ 292,805

Total General Purpose School Fund \$ 24,661,888

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 385,996	
Educational Assistants	246,464	
Other Salaries and Wages	181,875	
Certified Substitute Teachers	220	
Social Security	46,336	
State Retirement	65,413	
Medical Insurance	36,450	
Employer Medicare	10,874	
Maintenance and Repair Services - Equipment	2,214	
Other Contracted Services	14,023	
Instructional Supplies and Materials	50,679	
Textbooks	22,295	
Other Supplies and Materials	166	
Other Charges	9,442	
Regular Instruction Equipment	123,808	
Total Regular Instruction Program		\$ 1,196,255

Special Education Program

Teachers	\$ 194,445	
Clerical Personnel	16,292	
Educational Assistants	357,743	
Social Security	33,246	
State Retirement	49,802	
Medical Insurance	23,602	
Employer Medicare	7,832	
Contracts with Private Agencies	96,120	
Maintenance and Repair Services - Equipment	180	
Instructional Supplies and Materials	36,075	
Other Supplies and Materials	4,138	
Other Charges	6,834	
Special Education Equipment	166,563	
Total Special Education Program		992,872

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Other Supplies and Materials	\$	39,664	
Vocational Instruction Equipment		3,000	
Total Vocational Education Program			\$ 42,664

Adult Education Program

Teachers	\$	6,036	
Social Security		374	
Employer Medicare		88	
Communication		493	
Evaluation and Testing		165	
Postal Charges		100	
Instructional Supplies and Materials		545	
Other Supplies and Materials		760	
Total Adult Education Program			8,561

Support Services

Health Services

Other Salaries and Wages	\$	34,054	
Social Security		1,920	
State Retirement		2,963	
Medical Insurance		3,166	
Employer Medicare		449	
Communication		1,367	
Travel		2,306	
Instructional Supplies and Materials		37,987	
Other Charges		5,788	
Total Health Services			90,000

Other Student Support

Evaluation and Testing	\$	1,980	
Travel		5,031	
Other Supplies and Materials		13,743	
In Service/Staff Development		28,665	
Other Charges		218,235	
Other Equipment		16,378	
Total Other Student Support			284,032

Regular Instruction Program

Supervisor/Director	\$	79,941	
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(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Secretary(ies)	\$	17,415	
Other Salaries and Wages		22,802	
In-Service Training		16,045	
Social Security		4,982	
State Retirement		7,624	
Medical Insurance		3,686	
Employer Medicare		1,496	
Travel		9,109	
Other Supplies and Materials		3,818	
In Service/Staff Development		80,753	
Other Charges		1,102	
Total Regular Instruction Program			\$ 248,773

Special Education Program

Secretary(ies)	\$	20,178	
Social Security		1,251	
Employer Medicare		293	
Travel		31,375	
In Service/Staff Development		6,712	
Total Special Education Program			59,809

Adult Programs

Travel	\$	197	
Total Adult Programs			197

Transportation

Bus Drivers	\$	115,344	
Social Security		6,833	
State Retirement		5,226	
Medical Insurance		3,938	
Employer Medicare		1,635	
Contracts with Parents		1,436	
Maintenance and Repair Services - Vehicles		8,980	
Other Contracted Services		190	
Diesel Fuel		32,909	
Transportation Equipment		90,500	
Total Transportation			266,991

Total School Federal Projects Fund \$ 3,190,154

(Continued)

Exhibit J-8

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

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$ 797,615	
Social Security	46,899	
State Retirement	58,575	
Medical Insurance	39,028	
Employer Medicare	10,968	
Communication	7,412	
Travel	2,021	
Food Supplies	881,110	
Uniforms	4,295	
USDA - Commodities	121,668	
Other Supplies and Materials	94,783	
Other Charges	34	
Food Service Equipment	15,736	
Total Food Service		\$ 2,080,144

Total Central Cafeteria Fund \$ 2,080,144

School Transportation Fund

Support Services

Board of Education

Trustee's Commission	\$ 18,142	
Total Board of Education		\$ 18,142

Transportation

Supervisor/Director	\$ 24,100	
Bus Drivers	6,493	
Social Security	1,897	
State Retirement	2,662	
Employer Medicare	443	
Communication	764	
Contracts with Vehicle Owners	973,097	
Maintenance and Repair Services - Vehicles	2,927	
Other Contracted Services	4,862	
Diesel Fuel	6,034	
Other Charges	3,498	
Total Transportation		1,026,777

Total School Transportation Fund 1,044,919

Total Governmental Funds - Henderson County School Department \$ 30,977,105

Exhibit J-9

Henderson County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balances - City Agency Funds
For the Year Ended June 30, 2011

	Cities - Sales Tax Fund	City School ADA - Lexington Fund	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 464,280	\$ 464,280
Trustee's Collections - Prior Year	0	21,530	21,530
Circuit/Clerk and Master Collections - Prior Years	0	6,344	6,344
Interest and Penalty	0	3,929	3,929
Payments in-Lieu-of Taxes - Local Utilities	0	6,825	6,825
Local Option Sales Tax	2,847,834	728,951	3,576,785
Wheel Tax	0	84,603	84,603
Bank Excise Tax	0	1,103	1,103
Interstate Telecommunications Tax	0	416	416
Marriage Licenses	0	486	486
Mixed Drink Tax	0	1,187	1,187
Total Cash Receipts	<u>\$ 2,847,834</u>	<u>\$ 1,319,654</u>	<u>\$ 4,167,488</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 2,819,356	\$ 1,309,003	\$ 4,128,359
Trustee's Commission	28,478	18,723	47,201
Total Cash Disbursements	<u>\$ 2,847,834</u>	<u>\$ 1,327,726</u>	<u>\$ 4,175,560</u>
Excess of Cash Receipts			
Over (Under) Cash Disbursements	\$ 0	\$ (8,072)	\$ (8,072)
Cash Balance, July 1, 2010	0	87,940	87,940
Cash Balance, June 30, 2011	<u>\$ 0</u>	<u>\$ 79,868</u>	<u>\$ 79,868</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

December 5, 2011

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henderson County, Tennessee, as of and for the year ended June 30, 2011, which collectively comprise Henderson County's basic financial statements and have issued our report thereon dated December 5, 2011. 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 Henderson County Emergency Communications District as described in our report on Henderson County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in

internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness: 11.01.

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: 11.09 and 11.10.

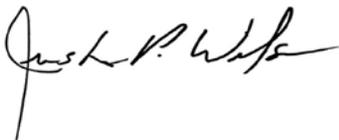
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Henderson County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items 11.02, 11.03, 11.04, 11.05, 11.06, 11.07, and 11.08.

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

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

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury

JPW/sb



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

REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

December 5, 2011

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Henderson County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Henderson County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Henderson County's management. Our responsibility is to express an opinion on Henderson County's compliance based on our audit.

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

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

In our opinion, Henderson County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

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

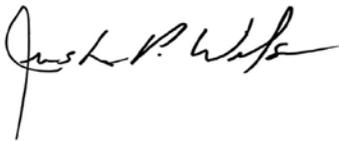
Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henderson County as of and for the year ended June 30, 2011, and have issued our report thereon dated December 5, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements as a whole. The 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the

audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Yours very truly,

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

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

Henderson County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2011

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	\$ 121,668 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	355,449
National School Lunch Program	10.555	N/A	883,279 (3)
Total U.S. Department of Agriculture			<u>\$ 1,360,396</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	GG103098900	\$ 186,838
Total U.S. Department of Housing and Urban Development			<u>\$ 186,838</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(2)	\$ 9,500
Passed-through State Department of Finance and Administration:			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	(2)	8,393
Total U.S. Department of Justice			<u>\$ 17,893</u>
U.S. Department of Labor:			
Passed-through Southwest Human Resource Agency:			
WIA Youth Activities	17.259	N/A	\$ 8,757
Total U.S. Department of Labor			<u>\$ 8,757</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	Z0921461200	\$ 20,755
Total U.S. Department of Transportation			<u>\$ 20,755</u>
U.S. Environmental Protection Agency:			
Passed-through State Department of Environment and Conservation:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	(2)	\$ 542,014 (4)
Total U.S. Environmental Protection Agency			<u>\$ 542,014</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	Z1021851600	\$ 129,844
Passed-through State Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	N/A	1,129,390
Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A	213,500
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	811,121
Special Education - Preschool Grants	84.173	N/A	24,053
Special Education - Grants to States, Recovery Act	84.391	N/A	492,329
Special Education - Preschool Grants, Recovery Act	84.392	N/A	7,157
Career and Technical Education - Basic Grants to States	84.048	N/A	68,501
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	3,512
Improving Teacher Quality State Grants	84.367	N/A	162,065
Education Technology State Grants Cluster:			
Education Technology State Grants	84.318	N/A	2,398
Education Technology State Grants, Recovery Act	84.386	N/A	5,220

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
U.S. Department of Education (Cont.):			
Passed-through State Department of Education (Cont.):			
State Fiscal Stabilization Fund Cluster:			
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	N/A	\$ 1,596,881
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	N/A	201,152
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	195,340
Passed-through State Department of Human Services:			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	N/A	6,225
Total U.S. Department of Education			\$ 5,048,688
U.S. Department of Health and Human Services:			
Passed-through State Department of Education:			
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	93.714	(2)	\$ 2,252
Total U.S. Department of Health and Human Services			\$ 2,252
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(2)	\$ 297,978
Emergency Management Performance Grants	97.042	(2)	17,756
Assistance to Firefighters Grant	97.044	(2)	86,450
Homeland Security Grant Program	97.067	(2)	296,349
Total U.S. Department of Homeland Security			\$ 698,533
Total Expenditures of Federal Awards			\$ 7,886,126
		Contract Number	
<u>State Grants</u>			
Litter Program - State Department of Transportation	N/A	(2)	\$ 17,626
Volunteer Fire Assistance Grant Program - State Department of Agriculture	N/A	(2)	6,000
Waste Tire Options Grant - State Department of Environment and Conservation	N/A	Z0821301220	6,478
Coordinated School Health - State Department of Education	N/A	(2)	90,000
ACT/Explore - State Department of Education	N/A	(2)	4,999
Connectenn - State Department of Education	N/A	(2)	2,026
Energy Efficiency Grant - State Department of Education	N/A	(2)	49,700
Principal and Teacher Evaluations - State Department of Education	N/A	(2)	4,600
HIV Prevention Education - State Department of Education	N/A	(2)	900
Early Childhood Education - State Department of Education	N/A	(2)	466,837
Total State Grants			\$ 649,166

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total for CFDA No. 10.555 is \$1,004,947.
- (4) During the year, Henderson County received a loan of \$542,014 from the U.S. Environmental Protection Agency that was passed through the State Department of Environment and Conservation for wastewater facility improvements. The county expended \$542,014 during the year ended June 30, 2011, and had an outstanding loan balance of \$542,014 on June 30, 2011.

Henderson County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2011

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Henderson County, Tennessee, for the year ended June 30, 2010, which have not been corrected.

OFFICE OF FINANCE DIRECTOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.02	153	Material audit adjustments were required for proper financial statement presentation
10.03	153	Designated situs-based taxes were inadequate to fund rural fire protection

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

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.07	156	Excess fees were not reported and paid to the county in compliance with state statute

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.08	156	Execution docket trial balances did not reconcile with cash journal accounts

OFFICES OF COUNTY CLERK, JUVENILE COURT CLERK, AND SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.11	158	Duties were not segregated adequately in the Offices of County Clerk, Juvenile Court Clerk, and Sheriff

HENDERSON COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2011

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Henderson County is unqualified.
2. The audit of the financial statements of Henderson County disclosed significant deficiencies in internal control. One of these deficiencies was considered to be a material weakness.
3. The audit disclosed two instances of noncompliance that were material to the financial statements of Henderson County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that were required to be reported under Section 510(a) of OMB Circular A-133.
7. The Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555); Capitalization Grants for Clean Water State Revolving Funds (CFDA No. 66.458); 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); 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); and State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Henderson County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response; however, management did not provide responses for inclusion in this report.

OFFICE OF FINANCE DIRECTOR

FINDING 11.01 **MATERIAL AUDIT ADJUSTMENTS WERE REQUIRED FOR PROPER FINANCIAL STATEMENT PRESENTATION**
(Internal Control – Material Weakness Under *Government Auditing Standards*)

At June 30, 2011, various general ledger account balances of the General Purpose School Fund were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require Henderson County to have adequate internal controls over the maintenance of its accounting records. Material audit adjustments were required because the county's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the county has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. 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

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

FINDING 11.02 **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS**
(Material Noncompliance Under *Government Auditing Standards*)

Expenditures exceeded total appropriations approved by the County Commission in the Drug Control and General Purpose School funds by \$20,265 and \$600,493, respectively. Section 5-9-401, *Tennessee Code Annotated*, states that "All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies." This deficiency existed in the Drug Control Fund because management failed to stay within the spending limits authorized by the County Commission, which resulted in unauthorized expenditures. The deficiency existed in the General Purpose School Fund because construction contracts were encumbered at June 30, 2011, that had not been budgeted.

RECOMMENDATION

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

FINDING 11.03 **BID SPECIFICATIONS FOR AN EQUIPMENT PURCHASE
APPLIED ONLY TO ONE BRAND**
(Material Noncompliance Under *Government Auditing Standards*)

Competitive bids were solicited through public advertisement for an armored car that was purchased for \$249,169. However, the bid advertisement and specifications listed a particular brand and/or make/model. Using bid specifications that apply only to a particular brand violates the intent of Section 54-7-113 et seq., *Tennessee Code Annotated*. Soliciting brand and/or make/model specific equipment could result in the county paying more than the most competitive price.

RECOMMENDATION

The office should develop bid specifications that are not brand specific. Bids should then be evaluated on the basis of several criteria, including price, quality, availability, warranty, maintenance costs, experience, etc.

FINDING 11.04 **AMOUNTS WITHHELD FROM CONTRACTOR PAYMENTS
WERE NOT DEPOSITED INTO AN ESCROW ACCOUNT**
(Noncompliance Under *Government Auditing Standards*)

The office did not deposit amounts withheld from contractor payments into an escrow account. Section 66-34-104, *Tennessee Code Annotated*, requires that funds withheld from contractor payments be deposited into an escrow account for contracts of \$500,000 or more. This deficiency is the result of management's oversight. This noncompliance could result in the loss of interest earnings for the contractor.

RECOMMENDATION

Amounts withheld from contractor payments on contracts of \$500,000 or more should be deposited into an escrow account in compliance with state statute.

FINDING 11.05 **DESIGNATED SITUS-BASED TAXES WERE INADEQUATE TO
FUND RURAL FIRE PROTECTION**
(Noncompliance Under *Government Auditing Standards*)

Henderson County has used questionable methods of funding rural fire protection since 1994. Effective May 1999, counties have been authorized to fund rural fire protection services with designated situs-based taxes. In 2001, the Henderson County Commission

designated certain situs-based taxes in the General Fund to be used to fund rural fire protection. Only once in the last ten years have the collections from these situs-based taxes been sufficient to cover the expenditures for rural fire protection.

During the 2010-11 year, Henderson County expended \$228,003 from the General Fund to provide fire protection service to rural areas of the county. However, the situs-based taxes totaled \$216,808 for the year and were not sufficient to cover the operating expenditures of \$228,003. Therefore, property taxes of all county citizens, living both inside and outside the City of Lexington, helped to fund this service. Citizens living within the City of Lexington paid for fire protection service in both the city and rural areas. This deficiency continues to exist due to management's failure to correct the deficiency noted in prior-year audit reports.

RECOMMENDATION

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

FINDING 11.06 **THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES** (Noncompliance Under *Government Auditing Standards*)

System backups were not stored off-site. Section 10-7-121, *Tennessee Code Annotated*, provides that records required to be retained by any government official may be maintained on a computer or removable storage media as long as certain standards are met. One of these standards requires that all data generated and stored within the computer system be copied to storage media daily, and media more than one week old be stored at an off-site location. This deficiency is the result of management's failure to implement adequate disaster recovery planning procedures. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process. Proper system backup procedures were implemented in March 2011.

RECOMMENDATION

Management should ensure backups are rotated off-site on a routine basis.

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

FINDING 11.07 **EXCESS FEES WERE NOT REPORTED AND PAID TO THE COUNTY IN COMPLIANCE WITH STATE STATUTE**
(Noncompliance Under *Government Auditing Standards*)

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

RECOMMENDATION

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

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 11.08 **EXECUTION DOCKET TRIAL BALANCES DID NOT RECONCILE WITH CASH JOURNAL ACCOUNTS**
(Noncompliance Under *Government Auditing Standards*)

At June 30, 2011, the circuit and general sessions courts clerk had prepared trial balances of execution docket cause balances as required by Section 18-2-103, *Tennessee Code Annotated (TCA)*. However, these trial balances did not reconcile with cash journal accounts by substantial amounts. Therefore, we were unable to determine if the clerk had complied with provisions of the Unclaimed Property Act, Section 66-29-110, *TCA*. This statute provides that any funds held by the court for one year and unclaimed by the owner are considered abandoned. Section 66-29-113, *TCA*, further requires these funds to be reported and paid to the state Treasurer's Office. This deficiency exists due to the failure of management to correct the finding reported in the prior-year audit report.

RECOMMENDATION

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

OFFICE OF CLERK AND MASTER

FINDING 11.09 **MULTIPLE EMPLOYEES OPERATED FROM THE SAME CASH DRAWER**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Multiple employees operated from the same cash drawer in the Office of Clerk and Master. Good internal controls dictate that each employee have their own cash drawer, start the day with a standard fixed amount of cash, and remove all but the beginning amount at the end of the day. This amount should be verified to the employee's receipts at the end of each day. Failure to adhere to this control regimen greatly increases the risk that a cash shortage may not be detected in a timely manner. Furthermore, in the event of a cash shortage, the clerk and master would not be able to determine who was responsible for the shortage because multiple employees were working from one cash drawer. This deficiency has been a management decision by the official resulting in a loss of control over assets.

RECOMMENDATION

The clerk and master should assign each employee their own cash drawer.

OFFICES OF FINANCE DIRECTOR, COUNTY CLERK, JUVENILE COURT CLERK, REGISTER, AND SHERIFF

FINDING 11.10 **DUTIES WERE NOT SEGREGATED ADEQUATELY**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

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

RECOMMENDATION

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

BEST PRACTICE

HENDERSON COUNTY SHOULD ESTABLISH AN AUDIT COMMITTEE

Henderson County does not have an Audit Committee. Sound business practices dictate that establishing an Audit Committee could significantly improve management oversight and accountability. The absence of an Audit Committee has been a management decision by the County Commission. The Division of County Audit strongly believes that an Audit Committee is a best practice that should be adopted to assist the County Commission by providing independent and objective reviews of the financial reporting process, internal controls, the audit function, and would be responsible for monitoring management's plans to address various risks.

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

There were no findings and questioned costs for federal awards.

**HENDERSON COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2011**

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