
ANNUAL FINANCIAL REPORT HENDERSON COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2012



**ANNUAL FINANCIAL REPORT
HENDERSON COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2012**

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

***DIVISION OF LOCAL GOVERNMENT AUDIT
JAMES R. ARNETTE
Director***

***JAN PAGE, CPA, CFE
Audit Manager***

***LEE ANN WEST, CPA, CGFM
Auditor 4***

***AMANDA MARCH, CFE
KELSEY SCHWEITZER
WENDY HEATH, CFE
State Auditors***

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

HENDERSON COUNTY, TENNESSEE

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Audit Highlights

Annual Financial Report
Henderson County, Tennessee
For the Year Ended June 30, 2012

Scope

We have audited the basic financial statements of Henderson County as of and for the year ended June 30, 2012.

Results

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

Our audit resulted in eight 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

- ◆ Purchase orders were not issued in some instances.
- ◆ Amounts withheld from contractor payments were not deposited into an escrow account.
- ◆ The office had deficiencies in budget operations.
- ◆ Designated situs-based taxes were inadequate to fund rural fire protection.

OFFICES OF COUNTY CLERK AND CIRCUIT COURT CLERK

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

OFFICES OF COUNTY CLERK AND CLERK AND MASTER

- ◆ Multiple employees operated from the same cash drawer.

OFFICE OF SHERIFF

- ◆ Profits from commissary operations were not remitted to the county trustee monthly.
-

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

- ◆ Duties were not segregated adequately.
-

BEST PRACTICE

Henderson County does not have an Audit Committee. The Division of Local Government 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, 2012

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
Tony Walker
Aaron Wood

Board of Education

Van Bledsoe, Chairman
Jeff Camper
Tommy Gordon
Jim Grant
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 LOCAL GOVERNMENT AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841**

INDEPENDENT AUDITOR'S REPORT

October 31, 2012

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, 2012, 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 2.8 percent and 1.2 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Henderson County Emergency Communications District, is based on the report of 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, 2012, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2012, 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.

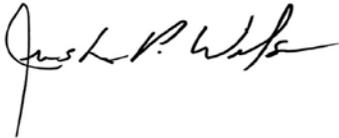
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Henderson County's 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/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Henderson County, Tennessee
Statement of Net Assets
June 30, 2012

	Primary <u>Government</u> Governmental Activities	Component Units	
		Henderson County School Department	Emergency Communications District
<u>ASSETS</u>			
Cash	\$ 1,055,303	\$ 0	\$ 486,381
Equity in Pooled Cash and Investments	8,547,693	6,779,044	0
Accounts Receivable	79,124	14,893	10,333
Due from Other Governments	583,263	598,410	10,696
Property Taxes Receivable	5,917,583	2,823,451	0
Allowance for Uncollectible Property Taxes	(114,322)	(54,547)	0
Prepaid Items	9,360	0	0
Deferred Charges - Debt Issuance Costs	432,938	0	0
Capital Assets:			
Assets Not Depreciated:			
Land	2,133,209	933,161	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	14,512,026	16,059,372	1,024
Infrastructure	1,351,847	99,191	0
Other Capital Assets	1,171,568	1,104,442	304,097
Total Assets	<u>\$ 35,679,592</u>	<u>\$ 28,357,417</u>	<u>\$ 812,531</u>
<u>LIABILITIES</u>			
Payroll Deductions Payable	\$ 1,345	\$ 0	\$ 0
Retainage Payable	0	16,110	0
Accrued Interest Payable	301,707	0	0
Due to State of Tennessee	9,183	0	0
Deferred Revenue - Current Property Taxes	5,574,474	2,659,744	0
Noncurrent Liabilities:			
Due Within One Year	2,448,154	79,224	0
Due in More Than One Year (net of deferred amount on refunding, deferred discount on debt, and unamortized premium on debt)	27,323,888	2,343,643	0
Total Liabilities	<u>\$ 35,658,751</u>	<u>\$ 5,098,721</u>	<u>\$ 0</u>

(Continued)

Exhibit A

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

	Primary <u>Government</u> Governmental Activities	<u>Component Units</u>	
		Henderson County School Department	Emergency Communications District
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 4,029,088	\$ 16,435,788	\$ 0
Invested in Capital Assets	0	0	305,121
Restricted for:			
Administration of Justice	146,130	0	0
Public Safety	444,703	0	0
Public Health and Welfare	183,346	0	0
Highway/Public Works	932,193	0	0
Debt Service	5,261,295	0	0
Support Services	0	69,829	0
Operation of Non-Instructional Services	0	635,026	0
Other Purposes	40,140	70,151	0
Unrestricted	<u>(11,016,054)</u>	<u>6,047,902</u>	<u>507,410</u>
Total Net Assets	<u>\$ 20,841</u>	<u>\$ 23,258,696</u>	<u>\$ 812,531</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, 2012

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets						
	Program Revenues			Primary Government	Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions	Total Governmental Activities	Henderson County School Department
Primary Government:							
Governmental Activities:							
General Government	\$ 1,065,924	\$ 101,375	\$ 61,552	\$ 0	\$ (902,997)	\$ 0	\$ 0
Finance	999,507	686,292	0	0	(313,215)	0	0
Administration of Justice	1,197,458	1,215,384	9,315	0	27,241	0	0
Public Safety	4,004,466	1,127,619	42,579	1,804	(2,832,464)	0	0
Public Health and Welfare	659,214	30,729	142,322	0	(486,163)	0	0
Social, Cultural, and Recreational Services	85,428	0	0	0	(85,428)	0	0
Agriculture and Natural Resources	97,473	0	42,900	0	(54,573)	0	0
Other Operations	261,554	0	0	0	(261,554)	0	0
Highways	2,229,426	2,081	1,779,090	19,651	(428,604)	0	0
Interest on Long-term Debt	1,306,921	0	297,977	0	(1,008,944)	0	0
Other Debt Service	96,772	0	0	0	(96,772)	0	0
Total Primary Government	\$ 12,004,143	\$ 3,163,480	\$ 2,375,735	\$ 21,455	\$ (6,443,473)	\$ 0	\$ 0
Component Units:							
Henderson County School Department	\$ 30,357,223	\$ 1,113,342	\$ 5,121,150	\$ 0	\$ 0	\$ (24,122,731)	\$ 0
Emergency Communications District	324,840	198,166	191,267	0	0	0	64,593
Total Component Units	\$ 30,682,063	\$ 1,311,508	\$ 5,312,417	\$ 0	\$ 0	\$ (24,122,731)	\$ 64,593

(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	Expenses	Primary Government		Component Units	
					Total Governmental Activities	Henderson County School Department	Emergency Communications District	
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes					\$ 4,285,567	\$ 2,910,080	\$	0
Property Taxes Levied for Debt Service					1,807,827	0		0
Local Option Sales Taxes					673,077	2,532,838		0
Hotel/Motel Taxes					77,571	0		0
Wheel Taxes					873,377	342,314		0
Litigation Taxes					192,094	0		0
Business Taxes					224,340	0		0
Other Local Taxes					59,891	1,332		0
Grants and Contributions Not Restricted to Specific Programs					141,566	19,281,639		0
Unrestricted Investment Earnings					241,695	0		3,691
Miscellaneous					118,819	109,042		0
Total General Revenues					\$ 8,695,824	\$ 25,177,245	\$	3,691
Change in Net Assets					\$ 2,252,351	\$ 1,054,514	\$	68,284
Net Assets (Deficit), July 1, 2011					(2,231,510)	22,204,182		744,247
Net Assets, June 30, 2012					\$ 20,841	\$ 23,258,696	\$	812,531

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, 2012

	Major Funds			Nonmajor	Total
	General	Highway /	General	Other	
		Public	Debt	Govern-	
	Works	Service	mental	Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 1,055,303	\$ 1,055,303
Equity in Pooled Cash and Investments	2,203,483	633,012	4,332,290	1,378,908	8,547,693
Accounts Receivable	22,132	118	25,768	31,106	79,124
Due from Other Governments	164,137	315,901	0	103,225	583,263
Due from Other Funds	3,636	0	0	0	3,636
Property Taxes Receivable	4,032,641	212,122	1,101,546	571,274	5,917,583
Allowance for Uncollectible Property Taxes	(74,117)	(3,819)	(27,446)	(8,940)	(114,322)
Prepaid Items	9,360	0	0	0	9,360
Total Assets	\$ 6,361,272	\$ 1,157,334	\$ 5,432,158	\$ 3,130,876	\$ 16,081,640
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Payroll Deductions Payable	\$ 1,342	\$ 3	\$ 0	\$ 0	\$ 1,345
Due to Other Funds	0	3,524	0	112	3,636
Due to State of Tennessee	5,034	3,578	0	571	9,183
Deferred Revenue - Current Property Taxes	3,818,158	201,245	1,006,222	548,849	5,574,474
Deferred Revenue - Delinquent Property Taxes	120,815	6,058	58,262	11,615	196,750
Other Deferred Revenues	110,179	162,252	0	52,702	325,133
Total Liabilities	\$ 4,055,528	\$ 376,660	\$ 1,064,484	\$ 613,849	\$ 6,110,521
<u>Fund Balances</u>					
Nonspendable:					
Prepaid Items	\$ 9,360	\$ 0	\$ 0	\$ 0	\$ 9,360
Restricted:					
Restricted for General Government	30,780	0	0	0	30,780
Restricted for Administration of Justice	146,130	0	0	0	146,130
Restricted for Public Safety	281,124	0	0	163,579	444,703
Restricted for Public Health and Welfare	105,794	0	0	65,937	171,731
Restricted for Highways/Public Works	0	771,916	0	0	771,916
Restricted for Debt Service	0	0	4,135,298	1,142,134	5,277,432
Committed:					
Committed for Finance	0	0	0	655,158	655,158
Committed for Administration of Justice	0	0	0	430,922	430,922
Committed for Public Health and Welfare	0	0	0	41,901	41,901
Committed for Other Operations	203,844	0	0	0	203,844
Committed for Highways/Public Works	0	8,758	0	0	8,758
Committed for Debt Service	0	0	232,376	17,396	249,772
Assigned:					
Assigned for General Government	18,000	0	0	0	18,000
Assigned for Public Safety	155,913	0	0	0	155,913
Assigned for Agriculture and Natural Resources	42,900	0	0	0	42,900
Unassigned	1,311,899	0	0	0	1,311,899
Total Fund Balances	\$ 2,305,744	\$ 780,674	\$ 4,367,674	\$ 2,517,027	\$ 9,971,119
Total Liabilities and Fund Balances	\$ 6,361,272	\$ 1,157,334	\$ 5,432,158	\$ 3,130,876	\$ 16,081,640

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, 2012

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)		\$ 9,971,119
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 2,133,209	
Add: buildings and improvements net of accumulated depreciation	14,512,026	
Add: infrastructure net of accumulated depreciation	1,351,847	
Add: other capital assets net of accumulated depreciation	<u>1,171,568</u>	19,168,650
(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	\$ (1,080,046)	
Less: bonds payable	(28,510,000)	
Add: deferred amount on refunding	170,893	
Add: deferred charges - debt issuance costs	432,938	
Add: deferred charges - discount on debt issued	8,838	
Less: compensated absences payable	(107,097)	
Less: landfill closure/postclosure care costs	(96,599)	
Less: other postemployment benefits liability	(132,376)	
Less: accrued interest on notes and bonds	(301,707)	
Less: other deferred revenue - premium on debt	<u>(25,655)</u>	(29,640,811)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>521,883</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 20,841</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, 2012

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 4,404,043	\$ 189,205	\$ 2,692,785	\$ 952,250	\$ 8,238,283
Licenses and Permits	855	0	0	0	855
Fines, Forfeitures, and Penalties	425,356	0	0	63,463	488,819
Charges for Current Services	55,319	0	0	1,182,437	1,237,756
Other Local Revenues	312,353	2,795	89,052	48,266	452,466
Fees Received from County Officials	339,245	0	0	0	339,245
State of Tennessee	972,357	1,770,579	0	3,276	2,746,212
Federal Government	43,269	19,651	0	0	62,920
Other Governments and Citizens Groups	316,809	30,452	0	291,225	638,486
Total Revenues	\$ 6,869,606	\$ 2,012,682	\$ 2,781,837	\$ 2,540,917	\$ 14,205,042
<u>Expenditures</u>					
Current:					
General Government	\$ 1,038,196	\$ 0	\$ 0	\$ 0	\$ 1,038,196
Finance	544,720	0	0	440,205	984,925
Administration of Justice	394,101	0	0	626,772	1,020,873
Public Safety	3,551,889	0	0	8,758	3,560,647
Public Health and Welfare	193,439	0	0	414,777	608,216
Social, Cultural, and Recreational Services	85,428	0	0	0	85,428
Agriculture and Natural Resources	94,270	0	0	0	94,270
Other Operations	528,655	0	0	0	528,655
Highways	0	2,282,844	0	0	2,282,844
Debt Service:					
Principal on Debt	68,400	25,469	1,446,554	665,000	2,205,423
Interest on Debt	17,485	568	1,161,881	104,188	1,284,122
Other Debt Service	0	0	48,057	6,304	54,361
Capital Projects	0	0	0	1,262,622	1,262,622
Total Expenditures	\$ 6,516,583	\$ 2,308,881	\$ 2,656,492	\$ 3,528,626	\$ 15,010,582
Excess (Deficiency) of Revenues Over Expenditures	\$ 353,023	\$ (296,199)	\$ 125,345	\$ (987,709)	\$ (805,540)
<u>Other Financing Sources (Uses)</u>					
Other Loans Issued	\$ 0	\$ 0	\$ 0	\$ 1,258,568	\$ 1,258,568
Insurance Recovery	200,178	4,660	0	0	204,838
Total Other Financing Sources (Uses)	\$ 200,178	\$ 4,660	\$ 0	\$ 1,258,568	\$ 1,463,406
Net Change in Fund Balances	\$ 553,201	\$ (291,539)	\$ 125,345	\$ 270,859	\$ 657,866
Fund Balance, July 1, 2011	1,752,543	1,072,213	4,535,134	1,953,363	9,313,253
Prior-period Adjustment	0	0	(292,805)	292,805	0
Fund Balance, June 30, 2012	\$ 2,305,744	\$ 780,674	\$ 4,367,674	\$ 2,517,027	\$ 9,971,119

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, 2012

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)		\$	657,866
(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	\$	433,183	
Less: current-year depreciation expense		<u>(995,420)</u>	(562,237)
(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, 2012	\$	521,883	
Less: deferred delinquent property taxes and other deferred June 30, 2011		<u>(477,183)</u>	44,700
(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.			
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		1,920,000	
Add: principal payments on notes		259,954	
Add: principal payments on capital lease		25,469	
Less: change in deferred amount on refunding debt		<u>(41,959)</u>	2,127,805
(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	\$	19,160	
Change in landfill closure/postclosure care costs		4,421	
Change in compensated absences payable		(8,941)	
Change in other postemployment benefits liability		<u>(30,423)</u>	(15,783)
Change in net assets of governmental activities (Exhibit B)			<u>\$ 2,252,351</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, 2012

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 2,288,026
Equity in Pooled Cash and Investments	85,757
Accounts Receivable	4,121
Due from Other Governments	674,513
Taxes Receivable	487,054
Allowance for Uncollectible Taxes	<u>(9,409)</u>
Total Assets	<u>\$ 3,530,062</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 1,238,241
Due to Litigants, Heirs, and Others	<u>2,291,821</u>
Total Liabilities	<u>\$ 3,530,062</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, 2012

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. Net debt issues totaling \$1,258,568 were contributed by the county to the School Department during the year ended June 30, 2012.

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 funds 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 funds 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 Funds – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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

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

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

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

School Transportation Fund – This special revenue fund is used to account 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 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 policy to permit employees to accumulate earned but unused vacation leave, which will be paid upon separation from county service. All vacation pay is accrued when incurred in the government-wide financial statements for the county. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

The School Department has a formal leave policy; however, it does not provide for employees to receive compensation for unused accumulated vacation or sick leave.

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, 2012, Henderson County had \$14,441,646 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, and shall remain binding unless removed in the same manner.

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.

8. Prior-period Adjustment

During the prior year, a contribution from the School Department to the Rural Debt Service Fund was mistakenly receipted into the General Debt Service Fund. Consequently, fund equities of the General Debt Service and Rural Debt Service funds were restated and adjusted \$292,805 as of July 1, 2011, for the contribution.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Henderson County School Department

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

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

Primary Government

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

Discretely Presented Henderson County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

At June 30, 2012, Henderson County reported the following significant encumbrances in the General Fund:

<u>Description</u>	<u>Amount</u>
Fire truck	\$ 152,800
Flood control	42,900

B. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the Transfers Out major appropriation category (the legal level of control) of the discretely presented School Department's General Purpose School Fund by \$400,000. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balance.

C. Appropriations Exceeded Estimated Available Funds

The budget and subsequent amendments approved by the County Commission for the Highway/Public Works and the discretely presented School Department's Central Cafeteria funds resulted in appropriations exceeding estimated available funding by \$75,926 and \$10,000, respectively.

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, 2012.

B. Capital Assets

Capital assets activity for the year ended June 30, 2012, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital Assets				
Not Depreciated:				
Land	\$ 2,133,209	\$ 0	\$ 0	\$ 2,133,209
Construction in Progress	14,269,153	0	14,269,153	0
Total Capital Assets				
Not Depreciated	<u>\$ 16,402,362</u>	<u>\$ 0</u>	<u>\$ 14,269,153</u>	<u>\$ 2,133,209</u>
Capital Assets Depreciated:				
Buildings and				
Improvements	\$ 2,635,330	\$ 14,345,583	\$ 0	\$ 16,980,913
Infrastructure	2,286,014	55,417	0	2,341,431
Other Capital Assets	5,214,945	301,336	95,404	5,420,877
Total Capital Assets				
Depreciated	<u>\$ 10,136,289</u>	<u>\$ 14,702,336</u>	<u>\$ 95,404</u>	<u>\$ 24,743,221</u>
Less Accumulated				
Depreciation For:				
Buildings and				
Improvements	\$ 1,939,619	\$ 529,268	\$ 0	\$ 2,468,887
Infrastructure	851,667	137,917	0	989,584
Other Capital Assets	4,016,478	328,235	95,404	4,249,309
Total Accumulated				
Depreciation	<u>\$ 6,807,764</u>	<u>\$ 995,420</u>	<u>\$ 95,404</u>	<u>\$ 7,707,780</u>
Total Capital Assets				
Depreciated, Net	<u>\$ 3,328,525</u>	<u>\$ 13,706,916</u>	<u>\$ 0</u>	<u>\$ 17,035,441</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 19,730,887</u>	<u>\$ 13,706,916</u>	<u>\$ 14,269,153</u>	<u>\$ 19,168,650</u>

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

Governmental Activities:

General Government	\$	3,454
Administration of Justice		135,765
Public Safety		576,419
Public Health and Welfare		43,887
Highways		<u>235,895</u>
Total Depreciation Expense - Governmental Activities	\$	<u><u>995,420</u></u>

Discretely Presented Henderson County School Department

Governmental Activities:

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital Assets Not Depreciated:				
Land	\$ 904,161	\$ 36,000	\$ 7,000	\$ 933,161
Construction in Progress	1,065,696	0	1,065,696	0
Total Capital Assets Not Depreciated	<u>\$ 1,969,857</u>	<u>\$ 36,000</u>	<u>\$ 1,072,696</u>	<u>\$ 933,161</u>
Capital Assets Depreciated:				
Building and Improvements	\$ 36,799,279	\$ 2,234,560	\$ 0	\$ 39,033,839
Infrastructure	0	99,606	0	99,606
Other Capital Assets	1,078,554	685,047	195,440	1,568,161
Total Capital Assets Depreciated	<u>\$ 37,877,833</u>	<u>\$ 3,019,213</u>	<u>\$ 195,440</u>	<u>\$ 40,701,606</u>
Less Accumulated Depreciation For:				
Building and Improvements	\$ 21,876,820	\$ 1,097,647	\$ 0	\$ 22,974,467
Infrastructure	0	415	0	415
Other Capital Assets	389,091	224,095	149,467	463,719
Total Accumulated Depreciation	<u>\$ 22,265,911</u>	<u>\$ 1,322,157</u>	<u>\$ 149,467</u>	<u>\$ 23,438,601</u>
Total Capital Assets Depreciated, Net	<u>\$ 15,611,922</u>	<u>\$ 1,697,056</u>	<u>\$ 45,973</u>	<u>\$ 17,263,005</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 17,581,779</u></u>	<u><u>\$ 1,733,056</u></u>	<u><u>\$ 1,118,669</u></u>	<u><u>\$ 18,196,166</u></u>

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

Governmental Activities:

Instruction	\$ 963,540
Support Services	284,024
Operation of Non-Instructional Services	<u>74,593</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,322,157</u>

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2012, was as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Highway/Public Works	\$ 3,524
"	Nonmajor governmental	112

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, 2012, consisted of the following amounts:

Discretely Presented Henderson County School Department

<u>Transfers Out</u>	<u>Transfers In</u>	
	General Purpose School Fund	School Federal Projects Fund
General Purpose School Fund	\$ 0	\$ 400,000
School Federal Projects Fund	<u>8,746</u>	<u>0</u>
Total	<u>\$ 8,746</u>	<u>\$ 400,000</u>

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.

D. Long-term Debt

Primary Government

General Obligation Bonds and Notes

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 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, 2012, will be retired from the General, General Debt Service, and Rural Debt Service funds.

General obligation bonds and capital outlay notes outstanding as of June 30, 2012, for governmental activities are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-12</u>
General Obligation Bonds	1.75 to 6%	6-30-29	\$ 19,965,000	\$ 18,245,000
General Obligation Bonds - Refunding	2 to 5	4-1-20	15,945,000	10,265,000
Capital Outlay Notes	2.45 to 4.5	4-1-18	1,845,000	960,046
Capital Outlay Notes - Refunding	3.45 to 3.95	4-1-13	765,000	120,000

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2012, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
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
2018-2022	8,050,000	3,074,061	11,124,061
2023-2027	7,135,000	1,469,301	8,604,301
2028-2029	2,600,000	175,432	2,775,432
Total	<u>\$ 28,510,000</u>	<u>\$ 9,743,888</u>	<u>\$ 38,253,888</u>

Year Ending June 30	Notes		
	Principal	Interest	Total
2013	\$ 330,046	\$ 39,648	\$ 369,694
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	<u>\$ 1,080,046</u>	<u>\$ 108,448</u>	<u>\$ 1,188,494</u>

There is \$5,527,204 available in the debt service funds to service long-term debt. Bonded debt per capita totaled \$1,027, based on the 2010 federal census. Debt per capita, including bonds and notes, totaled \$1,066, based on the 2010 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

Governmental Activities:

	Bonds	Notes	Capital Lease
Balance, July 1, 2011	\$ 30,430,000	\$ 1,340,000	\$ 25,469
Reductions	(1,920,000)	(259,954)	(25,469)
Balance, June 30, 2012	<u>\$ 28,510,000</u>	<u>\$ 1,080,046</u>	<u>\$ 0</u>
Balance Due Within One Year	<u>\$ 2,015,000</u>	<u>\$ 330,046</u>	<u>\$ 0</u>

	Compensated Absences	Landfill Postclosure Care Costs	Other Postemployment Benefits
Balance, July 1, 2011	\$ 98,156	\$ 101,020	\$ 101,953
Additions	137,800	2,264	32,749
Reductions	(128,859)	(6,685)	(2,326)
Balance, June 30, 2012	<u>\$ 107,097</u>	<u>\$ 96,599</u>	<u>\$ 132,376</u>
Balance Due Within One Year	<u>\$ 96,423</u>	<u>\$ 6,685</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2012	\$ 29,926,118
Less: Balance Due Within One Year	(2,448,154)
Less: Deferrred Discount on Debt	(8,838)
Add: Unamortized Premium on Debt	25,655
Less: Deferrred Amount on Refunding	<u>(170,893)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 27,323,888</u>

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 Loan

In the prior 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, 2012, the School Department had drawn \$1,800,582 of the available \$1,934,199 loan. The improvements were completed during the year, and no additional funds are expected to be received. 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.

The other loan is a direct obligation and pledges the full faith and credit of the government. The other loan was issued for original terms of up to 21 years. The other loan outstanding as of June 30, 2012, will be retired from the General Purpose School Fund.

The other loan outstanding as of June 30, 2012, for governmental activities is as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-12
Other Loan	1.38 %	12-31-31	\$ 1,800,582	\$ 1,760,378

The annual requirements to amortize the other loan outstanding as of June 30, 2012, are presented in the following table:

Year Ending June 30	Other Loan			
	Principal	Interest	Other Fees	Total
2013	\$ 79,224	\$ 23,796	\$ 1,404	\$ 104,424
2014	80,328	22,692	1,344	104,364
2015	81,444	21,576	1,284	104,304
2016	82,572	20,448	1,212	104,232
2017	83,724	19,296	1,152	104,172
2018-2022	436,356	78,744	4,728	519,828
2023-2027	467,520	47,580	2,928	518,028
2028-2032	449,210	14,271	976	464,457
Total	\$ 1,760,378	\$ 248,403	\$ 15,028	\$ 2,023,809

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Henderson County School Department for the year ended June 30, 2012, was as follows:

Governmental Activities:

	Other Loan	Other Postemployment Benefits
Balance, July 1, 2011	\$ 542,014	\$ 492,203
Additions	1,258,568	284,789
Reductions	(40,204)	(114,503)
Balance, June 30, 2012	\$ 1,760,378	\$ 662,489
Balance Due Within One Year	\$ 79,224	\$ 0

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

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Henderson County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state’s Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2012, were \$92,005 and \$30,067, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

F. 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, 2012, was as follows:

	Balance 7-1-11		Issued		Paid		Balance 6-30-12
Tax Anticipation Note	\$ 0		\$ 200,000		\$ (200,000)		\$ 0

V. OTHER INFORMATION

A. Risk Management

Liability, Property, Casualty, and Workers’ Compensation Insurance

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

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.

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.

B. Subsequent Events

On July 12, 2012, Henderson County issued \$4,035,000 in general obligation refunding bonds.

On August 31, 2012, Harold Hensley left the Office of Road Supervisor and was succeeded by Steve Vineyard, and Danny Garner left the Office of Assessor of Property and was succeeded by Gary Pope.

C. 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.

D. 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 \$96,599 reported as postclosure care liability at June 30, 2012, represents the county's 50 percent share of the amounts based on what it would cost to perform all postclosure care in 2012. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

E. 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 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, 2012, the county appropriated an operating subsidy of \$54,000 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

F. 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.

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Funding Policy

County Employees

Henderson County requires employees to contribute five percent of their earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2012, 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. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2012, was 5.52 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

County Employees

For the year ended June 30, 2012, Henderson County's annual pension cost of \$563,161 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 three percent annual rate of inflation, (c) 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), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) 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 13 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6-30-12	\$563,161	100%	\$0
6-30-11	497,372	100	0
6-30-10	545,003	100	0

County Officials

For the year ended June 30, 2012, Henderson County's annual pension cost of \$42,012 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 three percent annual rate of inflation, (c) 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), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) 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, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-12	\$42,012	100%	\$0
6-30-11	44,306	100	0
6-30-10	42,095	100	0

Funded Status and Funding Progress

County Employees

As of July 1, 2011, the most recent actuarial valuation date, the plan was 86.37 percent funded. The actuarial accrued liability for benefits was \$8.44 million, and the actuarial value of assets was \$7.29 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.15 million. The covered payroll (annual payroll of active employees covered by the plan) was \$5.88 million, and the ratio of the UAAL to the covered payroll was 19.59 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.

County Officials

As of July 1, 2011, the most recent actuarial valuation date, the plan was 86.38 percent funded. The actuarial accrued liability for benefits was \$1.74 million, and the actuarial value of assets was \$1.51 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.24 million. The covered payroll (annual payroll of active employees covered by the plan) \$.76 million, and the ratio of the UAAL to the covered payroll was 31.2 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.

SCHOOL TEACHERS

Plan Description

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

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

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 ending June 30, 2012, 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, 2012, 2011, and 2010 were \$1,259,735, \$1,211,844, and \$802,877 respectively, equal to the required contributions for each year.

G. Other Postemployment Benefits (OPEB)

Plan Description

Henderson County and the Henderson County School Department participate in the state-administered Local Government Group Insurance Plan and the Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-207, *Tennessee Code Annotated (TCA)*, for local governments and Section 8-27-302, *TCA*, for local education employees. Prior to reaching the age of 65, all members 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 their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a 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, 2012, Henderson County and the School Department contributed \$2,326 and \$114,503, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 286,000	\$ 33,000
Interest on the NPO	19,688	4,078
Adjustment to the ARC	(20,899)	(4,329)
Annual OPEB cost	\$ 284,789	\$ 32,749
Less: Amount of contribution	(114,503)	(2,326)
Increase/Decrease in NPO	\$ 170,286	\$ 30,423
Net OPEB obligation, 7-1-11	492,203	101,953
Net OPEB obligation, 6-30-12	\$ 662,489	\$ 132,376

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-10	Local Education Group	\$ 203,801	63%	\$ 411,920
6-30-11	"	212,978	62	492,203
6-30-12	"	284,789	40	662,489
6-30-10	Local Government Group	45,045	8	60,514
6-30-11	"	46,144	10	101,953
6-30-12	"	32,749	7	132,376

Funding Status and Funding Progress

The funded status of the plan as of July 1, 2011, was as follows:

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-11	7-1-11
Actuarial accrued liability (AAL)	\$ 2,684,000	\$ 218,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 2,684,000	\$ 218,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 10,756,026	\$ 4,632,162
UAAL as a % of covered payroll	25%	5%

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, 2011, actuarial valuation for the Local Education Group and the Local Government Group plans, the projected unit credit actuarial cost method was used and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25 percent for fiscal year 2012. The trend will decrease to 8.75 percent in fiscal year 2013 and then be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. Both rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

H. 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.

I. 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 district complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the district the option of electing to apply FASB pronouncements issued after November 30, 1989. The district has elected not to apply those pronouncements.

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 from 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 that 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 result from providing services. They also include 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, 2012, was as follows:

Description	Balance 7-1-11		Increases		Decreases		Balance 6-30-12
Capital Assets Depreciated:							
Buildings and Improvements	\$ 25,186	\$ 0	\$ 23,224	\$ 1,962			
Office Equipment	10,293	0	0	10,293			
Communications Equipment	403,466	47,329	0	450,795			
Vehicles	12,800	0	0	12,800			
Total Capital Assets Depreciated	<u>\$ 451,745</u>	<u>\$ 47,329</u>	<u>\$ 23,224</u>	<u>\$ 475,850</u>			
Less Accumulated Depreciation For:							
Buildings and Improvements	\$ 16,742	\$ 49	\$ 15,853	\$ 938			
Office Equipment	10,293	0	0	10,293			
Communications Equipment	68,920	77,778	0	146,698			
Vehicles	12,800	0	0	12,800			
Total Capital Assets							
Total Accumulated Depreciation	<u>\$ 108,755</u>	<u>\$ 77,827</u>	<u>\$ 15,853</u>	<u>\$ 170,729</u>			
Total Capital Assets, Net	<u>\$ 342,990</u>	<u>\$ (30,498)</u>	<u>\$ 7,371</u>	<u>\$ 305,121</u>			

Depreciation expense of \$77,827 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, 2012, investments consisted entirely of certificates of deposit with original maturities greater than three months at a local bank. Investments are carried at cost, which approximates fair value.

For deposits and investments, custodial credit risk is the risk that in the event of a bank failure, the district's deposits may not be returned to it. The district does not have a policy regarding custodial credit risk for deposits. Collateral is required for demand deposits and

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

2. Budget Appropriations

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

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

H. Estimates and Assumptions

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2012

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Revenues						
Local Taxes	\$ 4,404,043	\$ 0	\$ 4,404,043	\$ 4,176,059	\$ 4,278,151	\$ 125,892
Licenses and Permits	855	0	855	1,500	1,500	(645)
Fines, Forfeitures, and Penalties	425,356	0	425,356	193,500	262,474	162,882
Charges for Current Services	55,319	0	55,319	22,700	29,650	25,669
Other Local Revenues	312,353	0	312,353	126,000	306,709	5,644
Fees Received from County Officials	339,245	0	339,245	414,000	414,000	(74,755)
State of Tennessee	972,357	0	972,357	378,437	933,587	38,770
Federal Government	43,269	0	43,269	27,000	87,923	(44,654)
Other Governments and Citizens Groups	316,809	0	316,809	338,000	368,000	(51,191)
Total Revenues	\$ 6,869,606	\$ 0	\$ 6,869,606	\$ 5,677,196	\$ 6,681,994	\$ 187,612
Expenditures						
General Government						
County Commission	\$ 79,380	\$ 0	\$ 79,380	\$ 79,449	\$ 79,449	\$ 69
Board of Equalization	1,300	0	1,300	1,500	1,500	200
County Mayor/Executive	114,764	0	114,764	116,271	118,371	3,607
County Attorney	8,845	0	8,845	9,059	9,709	864
Election Commission	137,944	0	137,944	144,333	143,883	5,939
Register of Deeds	129,208	0	129,208	149,352	149,852	20,644
County Buildings	566,755	18,000	584,755	367,027	593,162	8,407
Finance						
Accounting and Budgeting	272,264	0	272,264	280,769	277,169	4,905
Property Assessor's Office	185,590	0	185,590	188,089	191,389	5,799
Reappraisal Program	35,547	0	35,547	32,377	35,677	130
County Trustee's Office	23,098	0	23,098	27,726	27,726	4,628

(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)	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Expenditures (Cont.)						
<u>Finance (Cont.)</u>						
County Clerk's Office	\$ 28,221	\$ 0	\$ 28,221	\$ 31,000	\$ 33,100	\$ 4,879
<u>Administration of Justice</u>						
Circuit Court	143,303	0	143,303	43,994	167,994	24,691
General Sessions Court	189,638	0	189,638	162,423	197,773	8,135
Drug Court	7,074	0	7,074	0	7,074	0
Chancery Court	13,667	0	13,667	22,400	22,400	8,733
Juvenile Court	40,419	0	40,419	45,546	45,546	5,127
<u>Public Safety</u>						
Sheriff's Department	1,472,091	0	1,472,091	1,322,574	1,515,837	43,746
Administration of the Sexual Offender Registry	6,546	0	6,546	0	6,546	0
Workhouse	1,335,158	0	1,335,158	1,153,227	1,421,871	86,713
Fire Prevention and Control	230,860	152,800	383,660	244,345	441,679	58,019
Civil Defense	71,500	3,113	74,613	43,532	85,201	10,588
Rescue Squad	15,000	0	15,000	15,000	261,500	246,500
Other Emergency Management	8,601	0	8,601	8,802	9,902	1,301
County Coroner/Medical Examiner	31,123	0	31,123	38,013	38,013	6,890
Other Public Safety	381,010	0	381,010	374,604	384,504	3,494
<u>Public Health and Welfare</u>						
Local Health Center	114,664	0	114,664	36,330	128,480	13,816
Alcohol and Drug Programs	17,000	0	17,000	8,000	17,000	0
Other Local Health Services	2,000	0	2,000	4,000	4,000	2,000
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	47,475	0	47,475	48,784	48,784	1,309

(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)	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Expenditures (Cont.)						
<u>Social, Cultural, and Recreational Services</u>						
Adult Activities	\$ 5,807	\$ 0	\$ 5,807	\$ 5,808	\$ 1	
Senior Citizens Assistance	17,000	0	17,000	17,500	500	
Libraries	45,476	0	45,476	44,000	24	
Other Social, Cultural, and Recreational	17,145	0	17,145	19,200	2,055	
<u>Agriculture and Natural Resources</u>						
Agriculture Extension Service	56,292	0	56,292	66,063	3,321	
Soil Conservation	17,543	0	17,543	15,389	446	
Flood Control	20,435	42,900	63,335	16,600	2,165	
<u>Other Operations</u>						
Tourism	23,840	0	23,840	7,000	1,160	
Industrial Development	7,618	0	7,618	7,000	0	
Veterans' Services	41,140	0	41,140	43,936	1,946	
Other Charges	267,561	0	267,561	273,500	0	
Employee Benefits	20,835	0	20,835	21,000	804	
Miscellaneous	167,661	0	167,661	128,674	11,728	
<u>Principal on Debt</u>						
General Government	68,400	0	68,400	0	0	
<u>Interest on Debt</u>						
General Government	17,485	0	17,485	0	0	
Total Expenditures	\$ 6,516,583	\$ 216,813	\$ 6,733,396	\$ 5,677,196	\$ 7,339,379	\$ 605,983
Excess (Deficiency) of Revenues	\$ 353,023	\$ (216,813)	\$ 136,210	\$ 0	\$ (657,385)	\$ 793,595
Over Expenditures						

(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)	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 200,178 \$	0 \$	200,178 \$	0 \$	419,478 \$	(219,300)
Transfers In	0	0	0	0	49,940	(49,940)
Total Other Financing Sources (Uses)	\$ 200,178 \$	0 \$	200,178 \$	0 \$	469,418 \$	(269,240)
Net Change in Fund Balance	\$ 553,201 \$	(216,813) \$	336,388 \$	0 \$	(187,967) \$	524,355
Fund Balance, July 1, 2011	1,752,543	0	1,752,543	1,050,000	1,050,000	702,543
Fund Balance, June 30, 2012	\$ 2,305,744 \$	(216,813) \$	2,088,931 \$	1,050,000 \$	862,033 \$	1,226,898

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 189,205	\$ 186,672	\$ 188,622	\$ 583
Other Local Revenues	2,795	0	13,250	(10,455)
State of Tennessee	1,770,579	2,317,537	2,317,537	(546,958)
Federal Government	19,651	0	0	19,651
Other Governments and Citizens Groups	30,452	0	0	30,452
Total Revenues	<u>\$ 2,012,682</u>	<u>\$ 2,504,209</u>	<u>\$ 2,519,409</u>	<u>\$ (506,727)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 118,989	\$ 117,061	\$ 122,212	\$ 3,223
Highway and Bridge Maintenance	1,326,434	1,342,736	1,486,236	159,802
Operation and Maintenance of Equipment	487,225	599,195	563,770	76,545
Other Charges	112,628	121,600	126,500	13,872
Employee Benefits	13,483	27,200	18,200	4,717
Capital Outlay	224,085	797,342	871,505	647,420
<u>Principal on Debt</u>				
Highways and Streets	25,469	0	25,528	59
<u>Interest on Debt</u>				
Highways and Streets	568	0	584	16
Total Expenditures	<u>\$ 2,308,881</u>	<u>\$ 3,005,134</u>	<u>\$ 3,214,535</u>	<u>\$ 905,654</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (296,199)</u>	<u>\$ (500,925)</u>	<u>\$ (695,126)</u>	<u>\$ 398,927</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 4,660	\$ 0	\$ 2,000	\$ 2,660
Transfers In	0	0	17,200	(17,200)
Total Other Financing Sources (Uses)	<u>\$ 4,660</u>	<u>\$ 0</u>	<u>\$ 19,200</u>	<u>\$ (14,540)</u>
Net Change in Fund Balance	<u>\$ (291,539)</u>	<u>\$ (500,925)</u>	<u>\$ (675,926)</u>	<u>\$ 384,387</u>
Fund Balance, July 1, 2011	<u>1,072,213</u>	<u>600,000</u>	<u>600,000</u>	<u>472,213</u>
Fund Balance, June 30, 2012	<u>\$ 780,674</u>	<u>\$ 99,075</u>	<u>\$ (75,926)</u>	<u>\$ 856,600</u>

Exhibit E-3

Henderson County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and the Discretely Presented Henderson County School Department
June 30, 2012

(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						
"	\$ 1,506	\$ 1,744	\$ 238	86.38 %	\$ 762	31.20 %
"	1,104	1,353	250	81.56	756	33.00
"	928	1,039	111	89.32	594	18.69
County Employees						
"	7,293	8,444	1,151	86.37	5,875	19.59
"	4,773	4,855	82	98.31	5,158	1.59
"	3,435	3,524	89	97.47	4,588	1.94

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, 2012

(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	7-1-09	\$ 0	\$ 269	\$ 269	0	\$ 3,843	7 %
"	7-1-10	0	290	290	0	3,947	7
"	7-1-11	0	218	218	0	4,632	5
<u>DISCRETELY PRESENTED HENDERSON COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-09	0	2,048	2,048	0	9,673	21
"	7-1-10	0	2,111	2,111	0	9,770	22
"	7-1-11	0	2,684	2,684	0	10,756	25

HENDERSON COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2012

A. BUDGETARY INFORMATION

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the 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, County Attorney, 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.

At June 30, 2012, Henderson County reported the following significant encumbrances in the General Fund:

<u>Description</u>	<u>Amount</u>
Fire truck	\$ 152,800
Flood control	42,900

B. APPROPRIATIONS EXCEEDED ESTIMATED AVAILABLE FUNDS

The budget and subsequent amendments approved by the County Commission for the Highway/Public Works Fund resulted in appropriations exceeding estimated available funding by \$75,926.

**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 Funds

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure 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.

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for debt issued by Henderson County that is subsequently contributed to the discretely presented Henderson County School Department for construction and renovation projects.

Exhibit F-1

Henderson County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2012

	Special Revenue Funds				Total	Debt Service Fund		Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees			Rural Debt Service		
\$	0	0	1,055,303	0	1,055,303	0	0	1,055,303
Equity in Pooled Cash and Investments	106,322	163,579	0	269,901	1,109,007	0	0	1,378,908
Accounts Receivable	217	0	30,889	31,106	0	0	0	31,106
Due from Other Governments	0	0	0	0	103,225	0	0	103,225
Property Taxes Receivable	571,274	0	0	571,274	0	0	0	571,274
Allowance for Uncollectible Property Taxes	(8,940)	0	0	(8,940)	0	0	0	(8,940)
Total Assets	\$ 668,873	\$ 163,579	\$ 1,086,192	\$ 1,918,644	\$ 1,212,232	\$	\$	3,130,876

ASSETS

Cash	0
Equity in Pooled Cash and Investments	1,055,303
Accounts Receivable	269,901
Due from Other Governments	31,106
Property Taxes Receivable	103,225
Allowance for Uncollectible Property Taxes	(8,940)
Total Assets	\$ 3,130,876

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>								
Due to Other Funds	0	0	112	112	0	0	112	
Due to State of Tennessee	571	0	0	571	0	0	571	
Deferred Revenue - Current Property Taxes	548,849	0	0	548,849	0	0	548,849	
Deferred Revenue - Delinquent Property Taxes	11,615	0	0	11,615	0	0	11,615	
Other Deferred Revenues	0	0	0	0	52,702	0	52,702	
Total Liabilities	\$ 561,035	\$ 0	\$ 112	\$ 561,147	\$ 52,702	\$	\$ 613,849	
<u>Fund Balances</u>								
Restricted:								
Restricted for Public Safety	0	163,579	0	163,579	0	0	163,579	
Restricted for Public Health and Welfare	65,937	0	0	65,937	0	0	65,937	
Restricted for Debt Service	0	0	0	0	1,142,134	0	1,142,134	
Committed:								
Committed for Finance	0	0	655,158	655,158	0	0	655,158	
Committed for Administration of Justice	0	0	430,922	430,922	0	0	430,922	
Committed for Public Health and Welfare	41,901	0	0	41,901	0	0	41,901	
Committed for Debt Service	0	0	0	0	17,396	0	17,396	
Total Fund Balances	\$ 107,838	\$ 163,579	\$ 1,086,080	\$ 1,357,497	\$ 1,159,530	\$	\$ 2,517,027	
Total Liabilities and Fund Balances	\$ 668,873	\$ 163,579	\$ 1,086,192	\$ 1,918,644	\$ 1,212,232	\$	\$ 3,130,876	

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, 2012

	Special Revenue Funds				Total	Capital Projects Funds			Total Nonmajor Governmental Funds	
	Solid Waste / Sanitation	Drug Control	Consti- tutional Officers - Fees	Rural Debt Service		General Capital Projects	Education Capital Projects	Debt Service Fund		
Revenues										
Local Taxes	\$ 360,369	\$ 0	\$ 0	\$ 360,369	\$ 0	\$ 0	\$ 0	\$ 0	\$ 952,250	
Fines, Forfeitures, and Penalties	0	63,463	0	63,463	0	0	0	0	63,463	
Charges for Current Services	0	0	1,182,437	1,182,437	0	0	0	0	1,182,437	
Other Local Revenues	30,819	250	0	31,069	17,192	5	0	5	48,266	
State of Tennessee	3,276	0	0	3,276	0	0	0	0	3,276	
Other Governments and Citizens Groups	0	0	0	0	291,225	0	0	0	291,225	
Total Revenues	\$ 394,464	\$ 63,713	\$ 1,182,437	\$ 1,640,614	\$ 900,298	\$ 5	\$ 0	\$ 5	\$ 2,540,917	
Expenditures										
Current:										
Finance	\$ 0	\$ 0	\$ 440,205	\$ 440,205	\$ 0	\$ 0	\$ 0	\$ 0	\$ 440,205	
Administration of Justice	0	0	626,772	626,772	0	0	0	0	626,772	
Public Safety	0	8,758	0	8,758	0	0	0	0	8,758	
Public Health and Welfare	414,777	0	0	414,777	0	0	0	0	414,777	
Debt Service:										
Principal on Debt	0	0	0	0	665,000	0	0	0	665,000	
Interest on Debt	0	0	0	0	104,188	0	0	0	104,188	
Other Debt Service	0	0	0	0	6,304	0	0	0	6,304	
Capital Projects	0	0	0	0	0	4,054	1,258,568	1,262,622	1,262,622	
Total Expenditures	\$ 414,777	\$ 8,758	\$ 1,066,977	\$ 1,490,512	\$ 775,492	\$ 4,054	\$ 1,258,568	\$ 1,262,622	\$ 3,528,626	
Excess (Deficiency) of Revenues Over Expenditures	\$ (20,313)	\$ 54,955	\$ 115,460	\$ 150,102	\$ 124,806	\$ (4,049)	\$ (1,258,568)	\$ (1,262,617)	\$ (987,709)	
Other Financing Sources (Uses)										
Other Loans Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,258,568	\$ 1,258,568	\$ 1,258,568	
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,258,568	\$ 1,258,568	\$ 1,258,568	
Net Change in Fund Balances	\$ (20,313)	\$ 54,955	\$ 115,460	\$ 150,102	\$ 124,806	\$ (4,049)	\$ 0	\$ (4,049)	\$ 270,859	
Fund Balance, July 1, 2011	128,151	108,624	970,620	1,207,395	741,919	4,049	0	4,049	1,953,363	
Prior Period Adjustment	0	0	0	0	292,805	0	0	0	292,805	
Fund Balance, June 30, 2012	\$ 107,838	\$ 163,579	\$ 1,086,080	\$ 1,357,497	\$ 1,159,530	\$ 0	\$ 0	\$ 0	\$ 2,517,027	

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 360,369	\$ 349,885	\$ 351,885	\$ 8,484
Other Local Revenues	30,819	50,000	50,000	(19,181)
State of Tennessee	3,276	0	2,110	1,166
Total Revenues	<u>\$ 394,464</u>	<u>\$ 399,885</u>	<u>\$ 403,995</u>	<u>\$ (9,531)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Education/Information	\$ 414,777	\$ 399,885	\$ 440,685	\$ 25,908
Total Expenditures	<u>\$ 414,777</u>	<u>\$ 399,885</u>	<u>\$ 440,685</u>	<u>\$ 25,908</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (20,313)</u>	<u>\$ 0</u>	<u>\$ (36,690)</u>	<u>\$ 16,377</u>
Net Change in Fund Balance	\$ (20,313)	\$ 0	\$ (36,690)	\$ 16,377
Fund Balance, July 1, 2011	<u>128,151</u>	<u>149,000</u>	<u>149,000</u>	<u>(20,849)</u>
Fund Balance, June 30, 2012	<u>\$ 107,838</u>	<u>\$ 149,000</u>	<u>\$ 112,310</u>	<u>\$ (4,472)</u>

Exhibit F-4

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 63,463	\$ 36,000	\$ 36,000	\$ 27,463
Other Local Revenues	250	0	250	0
Total Revenues	<u>\$ 63,713</u>	<u>\$ 36,000</u>	<u>\$ 36,250</u>	<u>\$ 27,463</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 8,758	\$ 35,100	\$ 35,350	\$ 26,592
Total Expenditures	<u>\$ 8,758</u>	<u>\$ 35,100</u>	<u>\$ 35,350</u>	<u>\$ 26,592</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 54,955</u>	<u>\$ 900</u>	<u>\$ 900</u>	<u>\$ 54,055</u>
Net Change in Fund Balance	\$ 54,955	\$ 900	\$ 900	\$ 54,055
Fund Balance, July 1, 2011	<u>108,624</u>	<u>112,756</u>	<u>112,756</u>	<u>(4,132)</u>
Fund Balance, June 30, 2012	<u>\$ 163,579</u>	<u>\$ 113,656</u>	<u>\$ 113,656</u>	<u>\$ 49,923</u>

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 591,881	\$ 400,000	\$ 400,000	\$ 191,881
Other Local Revenues	17,192	5,000	5,000	12,192
Other Governments and Citizens Groups	291,225	292,805	292,805	(1,580)
Total Revenues	<u>\$ 900,298</u>	<u>\$ 697,805</u>	<u>\$ 697,805</u>	<u>\$ 202,493</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 665,000	\$ 672,000	\$ 665,000	\$ 0
<u>Interest on Debt</u>				
Education	104,188	105,188	104,188	0
<u>Other Debt Service</u>				
Education	6,304	0	7,250	946
Total Expenditures	<u>\$ 775,492</u>	<u>\$ 777,188</u>	<u>\$ 776,438</u>	<u>\$ 946</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 124,806</u>	<u>\$ (79,383)</u>	<u>\$ (78,633)</u>	<u>\$ 203,439</u>
Net Change in Fund Balance	\$ 124,806	\$ (79,383)	\$ (78,633)	\$ 203,439
Fund Balance, July 1, 2011	741,919	853,834	853,834	(111,915)
Prior Period Adjustment	292,805	0	0	292,805
Fund Balance, June 30, 2012	<u>\$ 1,159,530</u>	<u>\$ 774,451</u>	<u>\$ 775,201</u>	<u>\$ 384,329</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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,692,785	\$ 2,467,897	\$ 2,467,897	\$ 224,888
Other Local Revenues	89,052	50,000	50,000	39,052
Total Revenues	<u>\$ 2,781,837</u>	<u>\$ 2,517,897</u>	<u>\$ 2,517,897</u>	<u>\$ 263,940</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 75,000	\$ 120,000	\$ 75,000	\$ 0
Education	1,371,554	1,376,600	1,371,600	46
<u>Interest on Debt</u>				
General Government	617,300	619,303	617,303	3
Education	544,581	544,496	544,496	(85)
<u>Other Debt Service</u>				
General Government	48,057	0	52,000	3,943
Total Expenditures	<u>\$ 2,656,492</u>	<u>\$ 2,660,399</u>	<u>\$ 2,660,399</u>	<u>\$ 3,907</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 125,345</u>	<u>\$ (142,502)</u>	<u>\$ (142,502)</u>	<u>\$ 267,847</u>
Net Change in Fund Balance	\$ 125,345	\$ (142,502)	\$ (142,502)	\$ 267,847
Fund Balance, July 1, 2011	4,535,134	3,753,365	3,753,365	781,769
Prior Period Adjustment	(292,805)	0	0	(292,805)
Fund Balance, June 30, 2012	<u><u>\$ 4,367,674</u></u>	<u><u>\$ 3,610,863</u></u>	<u><u>\$ 3,610,863</u></u>	<u><u>\$ 756,811</u></u>

Fiduciary Funds

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

Cities - Sales Tax Fund – The Cities - Sales Tax Fund is used to account for the second half of 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, 2012

	<u>Agency Funds</u>			<u>Total</u>
	<u>Cities - Sales Tax</u>	<u>City School ADA - Lexington</u>	<u>Constitu- tional Officers - Agency</u>	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 2,288,026	\$ 2,288,026
Equity in Pooled Cash and Investments	0	85,757	0	85,757
Accounts Receivable	0	326	3,795	4,121
Due from Other Governments	540,450	134,063	0	674,513
Taxes Receivable	0	487,054	0	487,054
Allowance for Uncollectible Taxes	0	(9,409)	0	(9,409)
Total Assets	<u>\$ 540,450</u>	<u>\$ 697,791</u>	<u>\$ 2,291,821</u>	<u>\$ 3,530,062</u>
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 540,450	\$ 697,791	\$ 0	\$ 1,238,241
Due to Litigants, Heirs, and Others	0	0	2,291,821	2,291,821
Total Liabilities	<u>\$ 540,450</u>	<u>\$ 697,791</u>	<u>\$ 2,291,821</u>	<u>\$ 3,530,062</u>

Exhibit H-2

Henderson County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2012

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 3,052,669	\$ 3,052,669	\$ 0
Due from Other Governments	498,165	540,450	498,165	540,450
Total Assets	\$ 498,165	\$ 3,593,119	\$ 3,550,834	\$ 540,450
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 498,165	\$ 3,593,119	\$ 3,550,834	\$ 540,450
Total Liabilities	\$ 498,165	\$ 3,593,119	\$ 3,550,834	\$ 540,450
<u>City School ADA - Lexington Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 79,868	\$ 1,354,854	\$ 1,348,965	\$ 85,757
Accounts Receivable	97	326	97	326
Due from Other Governments	127,270	134,063	127,270	134,063
Taxes Receivable	484,309	487,054	484,309	487,054
Allowance for Uncollectible Taxes	(9,453)	(9,409)	(9,453)	(9,409)
Total Assets	\$ 682,091	\$ 1,966,888	\$ 1,951,188	\$ 697,791
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 682,091	\$ 1,966,888	\$ 1,951,188	\$ 697,791
Total Liabilities	\$ 682,091	\$ 1,966,888	\$ 1,951,188	\$ 697,791
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 2,567,008	\$ 6,631,472	\$ 6,910,454	\$ 2,288,026
Accounts Receivable	3,224	3,795	3,224	3,795
Total Assets	\$ 2,570,232	\$ 6,635,267	\$ 6,913,678	\$ 2,291,821
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 2,570,232	\$ 6,635,267	\$ 6,913,678	\$ 2,291,821
Total Liabilities	\$ 2,570,232	\$ 6,635,267	\$ 6,913,678	\$ 2,291,821
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 2,567,008	\$ 6,631,472	\$ 6,910,454	\$ 2,288,026
Equity in Pooled Cash and Investments	79,868	4,407,523	4,401,634	85,757
Accounts Receivable	3,321	4,121	3,321	4,121
Due from Other Governments	625,435	674,513	625,435	674,513
Taxes Receivable	484,309	487,054	484,309	487,054
Allowance for Uncollectible Taxes	(9,453)	(9,409)	(9,453)	(9,409)
Total Assets	\$ 3,750,488	\$ 12,195,274	\$ 12,415,700	\$ 3,530,062
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,180,256	\$ 5,560,007	\$ 5,502,022	\$ 1,238,241
Due to Litigants, Heirs, and Others	2,570,232	6,635,267	6,913,678	2,291,821
Total Liabilities	\$ 3,750,488	\$ 12,195,274	\$ 12,415,700	\$ 3,530,062

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, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 18,814,995	\$ 10,498	\$ 2,585,803	\$ (16,218,694)
Support Services	8,520,873	327,806	588,054	(7,605,013)
Operation of Non-Instructional Services	2,716,818	775,038	1,947,293	5,513
Interest on Long-term Debt	12,578	0	0	(12,578)
Other Debt Service	291,959	0	0	(291,959)
Total Governmental Activities	\$ 30,357,223	\$ 1,113,342	\$ 5,121,150	\$ (24,122,731)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 2,910,080
Local Option Sales Taxes				2,532,838
Wheel Taxes				342,314
Other Local Taxes				1,332
Grants and Contributions Not Restricted to Specific Programs				19,281,639
Miscellaneous				109,042
Total General Revenues				\$ 25,177,245
Change in Net Assets				\$ 1,054,514
Net Assets, July 1, 2011				22,204,182
Net Assets, June 30, 2012				\$ 23,258,696

Exhibit I-2

Henderson County, Tennessee
 Balance Sheet - Governmental Funds
 Discretely Presented Henderson County School Department
 June 30, 2012

	Major Funds			Nonmajor	Total
	General Purpose School	School Federal Projects	School Transportation	Fund Central Cafeteria	
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 5,681,999	\$ 390,776	\$ 71,243	\$ 635,026	\$ 6,779,044
Accounts Receivable	14,309	0	584	0	14,893
Due from Other Governments	589,186	9,224	0	0	598,410
Property Taxes Receivable	1,930,085	0	893,366	0	2,823,451
Allowance for Uncollectible Property Taxes	(37,288)	0	(17,259)	0	(54,547)
Total Assets	\$ 8,178,291	\$ 400,000	\$ 947,934	\$ 635,026	\$ 10,161,251
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Retainage Payable	\$ 16,110	\$ 0	\$ 0	\$ 0	\$ 16,110
Deferred Revenue - Current Property Taxes	1,818,176	0	841,568	0	2,659,744
Deferred Revenue - Delinquent Property Taxes	63,934	0	29,603	0	93,537
Other Deferred Revenues	225,174	0	0	0	225,174
Total Liabilities	\$ 2,123,394	\$ 0	\$ 871,171	\$ 0	\$ 2,994,565
<u>Fund Balances</u>					
Restricted:					
Restricted for Education	\$ 70,151	\$ 0	\$ 40,226	\$ 0	\$ 110,377
Restricted for Operation of Non-Instructional Services	0	0	0	635,026	635,026
Committed:					
Committed for Education	0	0	36,537	0	36,537
Assigned:					
Assigned for Education	0	400,000	0	0	400,000
Unassigned	5,984,746	0	0	0	5,984,746
Total Fund Balances	\$ 6,054,897	\$ 400,000	\$ 76,763	\$ 635,026	\$ 7,166,686
Total Liabilities and Fund Balances	\$ 8,178,291	\$ 400,000	\$ 947,934	\$ 635,026	\$ 10,161,251

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, 2012

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)		\$ 7,166,686
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 933,161	
Add: buildings and improvements net of accumulated depreciation	16,059,372	
Add: infrastructure net of accumulated depreciation	99,191	
Add: other capital assets net of accumulated depreciation	<u>1,104,442</u>	18,196,166
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: other loan payable	\$ (1,760,378)	
Less: other postemployment benefits liability	<u>(662,489)</u>	(2,422,867)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>318,711</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 23,258,696</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, 2012

	Major Funds			Nonmajor Fund	Total Governmental Funds
	General Purpose School	School Federal Projects	School Transportation	Central Cafeteria	
<u>Revenues</u>					
Local Taxes	\$ 4,874,117	\$ 0	\$ 926,979	\$ 0	\$ 5,801,096
Licenses and Permits	2,249	0	0	0	2,249
Charges for Current Services	308,755	0	0	774,288	1,083,043
Other Local Revenues	275,668	0	0	2,489	278,157
State of Tennessee	19,249,172	90,000	0	0	19,339,172
Federal Government	195,108	3,305,876	0	1,427,580	4,928,564
Other Governments and Citizens Groups	1,258,568	0	0	0	1,258,568
Total Revenues	\$ 26,163,637	\$ 3,395,876	\$ 926,979	\$ 2,204,357	\$ 32,690,849
<u>Expenditures</u>					
Current:					
Instruction	\$ 15,222,465	\$ 2,395,851	\$ 0	\$ 0	\$ 17,618,316
Support Services	7,884,901	1,005,379	871,842	0	9,762,122
Operation of Non-Instructional Services	580,734	0	0	2,097,875	2,678,609
Capital Outlay	491,280	0	0	0	491,280
Debt Service:					
Principal on Debt	40,204	0	0	0	40,204
Interest on Debt	12,578	0	0	0	12,578
Other Debt Service	291,959	0	0	0	291,959
Total Expenditures	\$ 24,524,121	\$ 3,401,230	\$ 871,842	\$ 2,097,875	\$ 30,895,068
Excess (Deficiency) of Revenues					
Over Expenditures	\$ 1,639,516	\$ (5,354)	\$ 55,137	\$ 106,482	\$ 1,795,781
<u>Other Financing Sources (Uses)</u>					
Insurance Recovery	\$ 40,090	\$ 0	\$ 0	\$ 0	\$ 40,090
Transfers In	8,746	400,000	0	0	408,746
Transfers Out	(400,000)	(8,746)	0	0	(408,746)
Total Other Financing Sources (Uses)	\$ (351,164)	\$ 391,254	\$ 0	\$ 0	\$ 40,090
Net Change in Fund Balances					
Fund Balance, July 1, 2011	\$ 4,766,545	14,100	21,626	528,544	5,330,815
Fund Balance, June 30, 2012	\$ 6,054,897	\$ 400,000	\$ 76,763	\$ 635,026	\$ 7,166,686

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, 2012

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

Net change in fund balances - total governmental funds (Exhibit I-4)		\$ 1,835,871
(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	\$ 1,989,517	
Less: current-year depreciation expense	<u>(1,322,157)</u>	667,360
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Less: proceeds received from the disposal of capital assets	\$ (14,550)	
Less: loss on disposal of capital assets	<u>(38,423)</u>	(52,973)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2012	\$ 318,711	
Less: deferred delinquent property taxes and other deferred June 30, 2011	<u>(325,805)</u>	(7,094)
(4) 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. Neither transaction, however, has any effect on net assets.		
Less: contributions of other loan proceeds from primary government	\$ (1,258,568)	
Add: principal payments on other loan	<u>40,204</u>	(1,218,364)
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in other postemployment benefits liability		<u>(170,286)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 1,054,514</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, 2012

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Revenues						
Local Taxes	\$ 4,874,117	\$ 0	\$ 4,874,117	\$ 4,424,562	\$ 4,424,562	\$ 449,555
Licenses and Permits	2,249	0	2,249	2,000	2,000	249
Charges for Current Services	308,755	0	308,755	225,000	304,880	3,875
Other Local Revenues	275,668	0	275,668	34,400	198,585	77,083
State of Tennessee	19,249,172	0	19,249,172	18,791,136	19,154,308	94,864
Federal Government	195,108	0	195,108	225,000	1,498,215	(1,303,107)
Other Governments and Citizens Groups	1,258,568	0	1,258,568	0	0	1,258,568
Total Revenues	\$ 26,163,637	\$ 0	\$ 26,163,637	\$ 23,702,098	\$ 25,582,550	\$ 581,087
Expenditures						
Instruction						
Regular Instruction Program	\$ 11,970,293	\$ 0	\$ 11,970,293	\$ 11,939,042	\$ 12,189,991	\$ 219,698
Alternative Instruction Program	32,268	0	32,268	48,050	48,050	15,782
Special Education Program	2,040,905	0	2,040,905	1,955,500	2,051,070	10,165
Vocational Education Program	1,129,194	(55,924)	1,073,270	1,115,500	1,115,500	42,230
Adult Education Program	49,805	0	49,805	91,200	91,200	41,395
Support Services						
Attendance	88,323	0	88,323	91,800	91,800	3,477
Health Services	250,062	0	250,062	257,000	268,100	18,038
Other Student Support	637,569	0	637,569	677,000	677,000	39,431
Regular Instruction Program	956,017	(2,397)	953,620	1,024,500	994,500	40,880
Alternative Instruction Program	74,971	0	74,971	74,700	81,500	6,529
Special Education Program	215,097	0	215,097	211,100	227,100	12,003
Vocational Education Program	98,144	0	98,144	101,900	101,900	3,756

(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 7/1/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Support Services (Cont.)</u>						
Adult Programs	\$ 85,882	\$ 0	\$ 85,882	\$ 90,600	\$ 94,100	\$ 8,218
Other Programs	122,072	0	122,072	0	122,072	0
Board of Education	495,073	0	495,073	510,810	534,790	39,717
Director of Schools	146,613	0	146,613	149,600	149,600	2,987
Office of the Principal	1,073,550	0	1,073,550	1,090,500	1,104,100	30,550
Fiscal Services	83,447	0	83,447	94,500	94,500	11,053
Operation of Plant	1,840,303	0	1,840,303	2,073,000	2,183,000	342,697
Maintenance of Plant	1,360,065	(952,625)	407,440	521,500	1,545,481	1,138,041
Transportation	357,513	0	357,513	261,900	370,500	12,987
Central and Other	200	0	200	5,000	5,000	4,800
<u>Operation of Non-Instructional Services</u>						
Food Service	81,598	(16,136)	65,462	67,100	67,100	1,638
Early Childhood Education	499,136	0	499,136	499,136	499,136	0
<u>Capital Outlay</u>						
Regular Capital Outlay	491,280	(206,200)	285,080	349,160	499,160	214,080
<u>Principal on Debt</u>						
Education	40,204	0	40,204	110,000	97,422	57,218
Interest on Debt						
Education	12,578	0	12,578	0	12,578	0
<u>Other Debt Service</u>						
Education	291,959	0	291,959	292,000	292,000	41
Total Expenditures	\$ 24,524,121	\$ (1,233,282)	\$ 23,290,839	\$ 23,702,098	\$ 25,608,250	\$ 2,317,411

(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 7/1/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,639,516	\$ 1,233,282	\$ 2,872,798	\$ 0	\$ (25,700)	\$ 2,898,498
Other Financing Sources (Uses)						
Insurance Recovery	\$ 40,090	\$ 0	\$ 40,090	\$ 0	\$ 25,700	\$ 14,390
Transfers In	8,746	0	8,746	0	0	8,746
Transfers Out	(400,000)	0	(400,000)	0	0	(400,000)
Total Other Financing Sources (Uses)	\$ (351,164)	\$ 0	\$ (351,164)	\$ 0	\$ 25,700	\$ (376,864)
Net Change in Fund Balance	\$ 1,288,352	\$ 1,233,282	\$ 2,521,634	\$ 0	\$ 0	\$ 2,521,634
Fund Balance, July 1, 2011	4,766,545	(1,233,282)	3,533,263	2,100,000	2,100,000	1,433,263
Fund Balance, June 30, 2012	\$ 6,054,897	\$ 0	\$ 6,054,897	\$ 2,100,000	\$ 2,100,000	\$ 3,954,897

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
State of Tennessee	\$ 90,000	\$ 90,000	\$ 90,000	\$ 0
Federal Government	3,305,876	3,345,729	3,648,923	(343,047)
Total Revenues	\$ 3,395,876	\$ 3,435,729	\$ 3,738,923	\$ (343,047)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,706,931	\$ 1,707,089	\$ 1,812,434	\$ 105,503
Special Education Program	614,769	594,525	614,769	0
Vocational Education Program	52,877	51,363	52,877	0
Adult Education Program	21,274	0	26,803	5,529
<u>Support Services</u>				
Health Services	89,998	90,000	89,998	0
Other Student Support	98,782	179,390	123,709	24,927
Regular Instruction Program	622,233	596,674	814,205	191,972
Special Education Program	54,183	51,076	54,183	0
Adult Programs	141	0	437	296
Transportation	140,042	157,120	140,042	0
Total Expenditures	\$ 3,401,230	\$ 3,427,237	\$ 3,729,457	\$ 328,227
Excess (Deficiency) of Revenues Over Expenditures	\$ (5,354)	\$ 8,492	\$ 9,466	\$ (14,820)
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 400,000	\$ 0	\$ 0	\$ 400,000
Transfers Out	(8,746)	(8,492)	(9,466)	720
Total Other Financing Sources (Uses)	\$ 391,254	\$ (8,492)	\$ (9,466)	\$ 400,720
Net Change in Fund Balance	\$ 385,900	\$ 0	\$ 0	\$ 385,900
Fund Balance, July 1, 2011	14,100	149,000	149,000	(134,900)
Fund Balance, June 30, 2012	\$ 400,000	\$ 149,000	\$ 149,000	\$ 251,000

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 774,288	\$ 599,999	\$ 599,999	\$ 174,289
Other Local Revenues	2,489	0	0	2,489
Federal Government	1,427,580	1,075,001	1,195,945	231,635
Total Revenues	<u>\$ 2,204,357</u>	<u>\$ 1,675,000</u>	<u>\$ 1,795,944</u>	<u>\$ 408,413</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 2,097,875	\$ 1,675,000	\$ 2,120,944	\$ 23,069
Total Expenditures	<u>\$ 2,097,875</u>	<u>\$ 1,675,000</u>	<u>\$ 2,120,944</u>	<u>\$ 23,069</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 106,482</u>	<u>\$ 0</u>	<u>\$ (325,000)</u>	<u>\$ 431,482</u>
Net Change in Fund Balance	\$ 106,482	\$ 0	\$ (325,000)	\$ 431,482
Fund Balance, July 1, 2011	<u>528,544</u>	<u>315,000</u>	<u>315,000</u>	<u>213,544</u>
Fund Balance, June 30, 2012	<u>\$ 635,026</u>	<u>\$ 315,000</u>	<u>\$ (10,000)</u>	<u>\$ 645,026</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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 926,979	\$ 906,076	\$ 906,076	\$ 20,903
Total Revenues	\$ 926,979	\$ 906,076	\$ 906,076	\$ 20,903
<u>Expenditures</u>				
<u>Support Services</u>				
Board of Education	\$ 18,293	\$ 25,000	\$ 25,000	\$ 6,707
Transportation	853,549	877,211	877,211	23,662
Total Expenditures	\$ 871,842	\$ 902,211	\$ 902,211	\$ 30,369
Excess (Deficiency) of Revenues Over Expenditures	\$ 55,137	\$ 3,865	\$ 3,865	\$ 51,272
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 0	\$ 200,000	\$ (200,000)
Transfers Out	0	0	(200,000)	200,000
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0
Net Change in Fund Balance	\$ 55,137	\$ 3,865	\$ 3,865	\$ 51,272
Fund Balance, July 1, 2011	21,626	8,100	8,100	13,526
Fund Balance, June 30, 2012	\$ 76,763	\$ 11,965	\$ 11,965	\$ 64,798

MISCELLANEOUS SCHEDULES

Exhibit J-1

Henderson County, Tennessee
Schedule of Changes in Long-term Notes, Other Loan, Capital Lease, and Bonds
Primary Government and Discretely Presented Henderson County School Department
For the Year Ended June 30, 2012

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-11	Issued During Period	Paid and/or Matured	
							Outstanding 6-30-12	During Period
<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	\$ 136,800	\$ 0	\$ 68,400	\$ 68,400
Capital Outlay Note, Series 2010	405,000	3	8-27-10	4-1-18	405,000	0	0	405,000
Total Payable through General Fund					\$ 541,800	\$ 0	\$ 68,400	\$ 473,400
<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	\$ 205,000	\$ 0	\$ 64,954	\$ 140,046
Capital Outlay Note, Series 2005A	800,000	3.45 to 4	6-30-05	4-1-17	490,000	0	75,000	415,000
Refunding Capital Outlay Note, Series 2005C	330,000	3.45 to 3.95	6-30-05	4-1-13	103,200	0	51,600	51,600
Total Payable through General Debt Service Fund					\$ 798,200	\$ 0	\$ 191,554	\$ 606,646
Total Notes Payable					\$ 1,340,000	\$ 0	\$ 259,954	\$ 1,080,046
<u>CAPITAL LEASE</u>								
<u>Payable through Highway/Public Works Fund</u>								
Excavator	82,975	4.59	11-7-07	1-11-12	\$ 25,469	\$ 0	\$ 25,469	\$ 0
Total Capital Lease					\$ 25,469	\$ 0	\$ 25,469	\$ 0
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
High School Refunding Bonds, Series 2001	8,150,000	3.5 to 5	10-11-01	4-1-17	\$ 5,540,000	\$ 0	\$ 755,000	\$ 4,785,000
School Bonds, Series 2001	1,215,000	3.85 to 6	10-25-01	4-1-16	525,000	0	95,000	430,000
School Bonds, Series 2004	3,850,000	2 to 4.25	2-1-04	4-1-24	3,340,000	0	200,000	3,140,000
High School Refunding Bonds, Series 2004	2,840,000	2 to 3.875	4-1-04	4-1-20	2,635,000	0	130,000	2,505,000
G.O. Bonds, Series 2008	9,500,000	3.75 to 4.75	12-11-08	4-1-29	9,400,000	0	50,000	9,350,000
G.O. Bonds, Series 2009	5,400,000	1.75 to 4.15	11-10-09	6-30-29	5,350,000	0	25,000	5,325,000
Total Payable through General Debt Service Fund					\$ 26,790,000	\$ 0	\$ 1,255,000	\$ 25,535,000

(Continued)

Exhibit J-1

Henderson County, Tennessee
Schedule of Changes in Long-term Notes, Other Loan, Capital Lease, 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 7-1-11	Issued During Period	Paid and/or	
							Matured During Period	Outstanding 6-30-12
<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	\$ 1,545,000	\$ 0	\$ 240,000	\$ 1,305,000
School Refunding Bonds, Series 2009	2,815,000	2 to 3	11-10-09	6-30-16	2,095,000		425,000	1,670,000
Total Payable through Rural Debt Service Fund					<u>\$ 3,640,000</u>	<u>\$ 0</u>	<u>\$ 665,000</u>	<u>\$ 2,975,000</u>
Total Bonds Payable					<u>\$ 30,430,000</u>	<u>\$ 0</u>	<u>\$ 1,920,000</u>	<u>\$ 28,510,000</u>
<u>DISCRETELY PRESENTED HENDERSON COUNTY SCHOOL DEPARTMENT</u>								
<u>OTHER LOAN PAYABLE</u>								
Payable through General Purpose School Fund								
Clean Water State Revolving Fund	1,800,582	1.38	7-31-10	12-31-31	\$ 542,014	\$ 1,258,568	\$ 40,204	\$ 1,760,378
Total Other Loan Payable					<u>\$ 542,014</u>	<u>\$ 1,258,568</u>	<u>\$ 40,204</u>	<u>\$ 1,760,378</u>

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
2013	\$ 330,046	\$ 39,648	\$ 369,694
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	\$ 1,080,046	\$ 108,448	\$ 1,188,494

Year Ending June 30	Bonds		
	Principal	Interest	Total
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	\$ 28,510,000	\$ 9,743,888	\$ 38,253,888

(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 Loan			Total
	Principal	Interest	Other Fees	
2013	\$ 79,224	\$ 23,796	\$ 1,404	\$ 104,424
2014	80,328	22,692	1,344	104,364
2015	81,444	21,576	1,284	104,304
2016	82,572	20,448	1,212	104,232
2017	83,724	19,296	1,152	104,172
2018	84,876	18,144	1,080	104,100
2019	86,064	16,956	1,020	104,040
2020	87,252	15,768	948	103,968
2021	88,464	14,556	876	103,896
2022	89,700	13,320	804	103,824
2023	90,948	12,072	732	103,752
2024	92,208	10,812	660	103,680
2025	93,480	9,540	588	103,608
2026	94,788	8,232	516	103,536
2027	96,096	6,924	432	103,452
2028	97,440	5,580	360	103,380
2029	98,784	4,236	276	103,296
2030	100,164	2,856	204	103,224
2031	101,556	1,464	120	103,140
2032	51,266	135	16	51,417
Total	\$ 1,760,378	\$ 248,403	\$ 15,028	\$ 2,023,809

Exhibit J-3

Henderson County, Tennessee
Schedule of Transfers
Discretely Presented Henderson County School Department
For the Year Ended June 30, 2012

From Fund	To Fund	Purpose	Amount
General Purpose School	School Federal Projects	Cash flow funds	\$ 400,000
School Federal Projects	General Purpose School	Indirect costs	<u>8,746</u>
Total Transfers Discretely Presented Henderson County School Department			<u>\$ 408,746</u>

Exhibit J-4

Henderson County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Henderson County School Department
For the Year Ended June 30, 2012

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	\$ 71,322	\$ 50,000	State Automobile Mutual Insurance Company
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 (1)	150,000	Tennessee Risk Management Trust
Trustee	Section 8-24-102, TCA, and County Commission	63,251 (2)	950,000	Auto-Owners Insurance Company
Assessor of Property	Section 8-24-102, TCA	61,751	25,000	Western Surety Company
Director of Finance	County Commission	61,750	50,000	State Automobile Mutual Insurance Company
County Clerk	Section 8-24-102, TCA, and County Commission	63,251 (2)	50,000	"
Circuit, General Sessions, and Juvenile Courts Clerk	Section 8-24-102, TCA, and County Commission	67,926 (3)	50,000	"
Clerk and Master	Section 8-24-102, TCA, and County Commission	69,426 (2,3,4)	100,000	"
Register	Section 8-24-102, TCA	61,751	25,000	"
Sheriff	Section 8-24-102, TCA	67,927 (5)	25,000	"
Employee Blanket Bonds:				
County Departments and Highway Department			150,000	Tennessee Risk Management Trust
School Department			150,000	"

- (1) Includes additional compensation of \$1,000 for the career ladder program.
- (2) Includes a certified public administrator supplement of \$1,500.
- (3) Includes additional compensation of \$6,175 for multiple courts.
- (4) Does not include special commissioner fees of \$13,068.
- (5) Does not include a law enforcement training supplement of \$600.

Exhibit J-5

Henderson County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2012

	Special Revenue Funds						Debt Service Funds			Capital Projects Fund
	Constitutional Officers - Fees			Highway / Public Works	General Debt Service	Rural Debt Service	General Capital Projects	Total		
	General	Solid Waste / Sanitation	Drug Control							
Local Taxes										
<u>County Property Taxes</u>										
Current Property Tax	\$ 3,455,304	\$ 331,963	\$ 0	\$ 173,745	\$ 1,680,524	\$ 0	\$ 0	\$ 5,641,536		
Trustee's Collections - Prior Year	176,032	15,955	0	8,828	75,150	0	0	275,965		
Circuit/Clerk & Master Collections - Prior Years	40,633	3,815	0	2,039	19,595	0	0	66,082		
Interest and Penalty	29,206	2,662	0	1,466	14,069	0	0	47,403		
Payments in-Lieu-of Taxes - Local Utilities	52,641	5,057	0	2,647	25,456	0	0	85,801		
<u>County Local Option Taxes</u>										
Local Option Sales Tax	80,818	0	0	0	0	591,677	0	672,495		
Hotel/Motel Tax	76,796	0	0	0	0	0	0	76,796		
Wheel Tax	0	0	0	0	873,377	0	0	873,377		
Litigation Tax - General	137,149	0	0	0	0	0	0	137,149		
Litigation Tax - Jail, Workhouse, or Courthouse	54,945	0	0	0	0	0	0	54,945		
Business Tax	224,340	0	0	0	0	0	0	224,340		
<u>Statutory Local Taxes</u>										
Bank Excise Tax	9,541	917	0	480	4,614	0	0	15,552		
Wholesale Beer Tax	65,721	0	0	0	0	0	0	65,721		
Interstate Telecommunications Tax	917	0	0	0	0	204	0	1,121		
Total Local Taxes	\$ 4,404,043	\$ 360,369	\$ 0	\$ 189,205	\$ 2,692,785	\$ 591,881	\$ 0	\$ 8,238,283		
<u>Licenses and Permits</u>										
<u>Permits</u>										
Beer Permits	\$ 855	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 855		
Total Licenses and Permits	\$ 855	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 855		
<u>Fines, Forfeitures, and Penalties</u>										
<u>Circuit Court</u>										
Fines	\$ 73,620	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 73,620		
Officers Costs	4,029	0	0	0	0	0	0	4,029		
Drug Control Fines	10,309	0	5,002	0	0	0	0	15,311		
DUI Treatment Fines	1,330	0	0	0	0	0	0	1,330		

(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>Fines, Forfeitures, and Penalties (Cont.)</u>									
<u>General Sessions Court</u>									
Fines	\$ 117,200	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	117,200
Officers Costs	24,433	0	0	0	0	0	0	0	24,433
Game and Fish Fines	244	0	0	0	0	0	0	0	244
Drug Control Fines	9,766	0	6,401	0	0	0	0	0	16,167
Drug Court Fees	10,508	0	0	0	0	0	0	0	10,508
Jail Fees	37,265	0	0	0	0	0	0	0	37,265
DUI Treatment Fines	8,265	0	0	0	0	0	0	0	8,265
<u>Juvenile Court</u>									
Fines	2,468	0	0	0	0	0	0	0	2,468
<u>Chancery Court</u>									
Officers Costs	286	0	0	0	0	0	0	0	286
<u>Judicial District Drug Program</u>									
Drug Task Force Forfeitures and Seizures	0	0	52,060	0	0	0	0	0	52,060
Courtroom Security Fee	125,633	0	0	0	0	0	0	0	125,633
Total Fines, Forfeitures, and Penalties	\$ 425,356	\$ 0	\$ 63,463	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	488,819
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Work Release Charges for Board Fees	\$ 2,020	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	2,020
Copy Fees	25	0	0	0	0	0	0	0	25
Telephone Commissions	29,292	0	0	0	0	0	0	0	29,292
Vending Machine Collections	179	0	0	0	0	0	0	0	179
Constitutional Officers' Fees and Commissions	0	0	0	1,182,437	0	0	0	0	1,182,437
Data Processing Fee - Register	8,600	0	0	0	0	0	0	0	8,600
Data Processing Fee - Sheriff	10,703	0	0	0	0	0	0	0	10,703
Sexual Offender Registration Fees - Sheriff	4,500	0	0	0	0	0	0	0	4,500
Total Charges for Current Services	\$ 55,319	\$ 0	\$ 0	\$ 1,182,437	\$ 0	\$ 0	\$ 0	\$ 0	1,237,756

(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	\$ 135,446	\$ 0	\$ 0	\$ 0	\$ 0	\$ 89,052	\$ 17,192	\$ 5	\$ 241,695
Lease/Rentals	1,650	0	0	0	0	0	0	0	1,650
Sale of Materials and Supplies	23,088	0	0	0	2,081	0	0	0	25,169
Commissary Sales	34,404	0	0	0	0	0	0	0	34,404
Sale of Recycled Materials	0	30,729	0	0	0	0	0	0	30,729
Miscellaneous Refunds	109,715	90	0	0	714	0	0	0	110,519
<u>Nonrecurring Items</u>									
Sale of Equipment	4,932	0	0	0	0	0	0	0	4,932
Damages Recovered from Individuals	476	0	0	0	0	0	0	0	476
<u>Other Local Revenues</u>									
Other Local Revenues	2,642	0	250	0	0	0	0	0	2,892
Total Other Local Revenues	\$ 312,353	\$ 30,819	\$ 250	\$ 0	\$ 2,795	\$ 89,052	\$ 17,192	\$ 5	\$ 452,466
<u>Fees Received from County Officials</u>									
<u>Excess Fees</u>									
County Clerk	\$ 20,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,000
Circuit Court Clerk	79,560	0	0	0	0	0	0	0	79,560
Trustee	130,860	0	0	0	0	0	0	0	130,860
<u>Fees in-Lieu-of-Salary</u>									
Register	97,543	0	0	0	0	0	0	0	97,543
Sheriff	11,282	0	0	0	0	0	0	0	11,282
Total Fees Received from County Officials	\$ 339,245	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 339,245
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 9,315	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,315
<u>Public Works Grants</u>									
Litter Program	29,167	0	0	0	0	0	0	0	29,167
<u>Other State Revenues</u>									
Income Tax	43,258	0	0	0	0	0	0	0	43,258

(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
<u>State of Tennessee (Cont.)</u>								
<u>Other State Revenues (Cont.)</u>								
Beer Tax	\$ 18,421	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,421
Alcoholic Beverage Tax	54,419	0	0	0	0	0	0	54,419
Mixed Drink Tax	4,947	0	0	0	0	0	0	4,947
Contracted Prisoner Boarding	640,760	0	0	0	0	0	0	640,760
Gasoline and Motor Fuel Tax	0	0	0	0	1,750,542	0	0	1,750,542
Petroleum Special Tax	0	0	0	0	20,037	0	0	20,037
Registrar's Salary Supplement	29,952	0	0	0	0	0	0	29,952
Other State Grants	53,614	3,276	0	0	0	0	0	56,890
Other State Revenues	88,504	0	0	0	0	0	0	88,504
Total State of Tennessee	\$ 972,357	\$ 3,276	\$ 0	\$ 0	\$ 1,770,579	\$ 0	\$ 0	\$ 2,746,212
<u>Federal Government</u>								
<u>Federal Through State</u>								
Civil Defense Reimbursement	\$ 31,865	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 31,865
Disaster Relief	1,804	0	0	0	19,651	0	0	21,455
Other Federal through State	9,600	0	0	0	0	0	0	9,600
Total Federal Government	\$ 43,269	\$ 0	\$ 0	\$ 0	\$ 19,651	\$ 0	\$ 0	\$ 62,920
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Paving and Maintenance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 30,452	\$ 0	\$ 0	\$ 30,452
Contributions	44,775	0	0	0	0	0	291,225	336,000
Contracted Services	138,000	0	0	0	0	0	0	138,000
<u>Other</u>								
Other	134,034	0	0	0	0	0	0	134,034
Total Other Governments and Citizens Groups	\$ 316,809	\$ 0	\$ 0	\$ 0	\$ 30,452	\$ 0	\$ 291,225	\$ 638,486
Total	\$ 6,869,606	\$ 394,464	\$ 63,713	\$ 1,182,437	\$ 2,012,682	\$ 2,781,837	\$ 900,298	\$ 14,205,042

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, 2012

	General Purpose School	School Federal Projects	Central Cafeteria	School Transpor - tation	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 1,836,913	\$ 0	\$ 0	\$ 850,240	\$ 2,687,153
Trustee's Collections - Prior Year	96,747	0	0	44,082	140,829
Circuit/Clerk & Master Collections - Prior Years	22,824	0	0	10,054	32,878
Interest and Penalty	15,842	0	0	7,302	23,144
Payments in-Lieu-of Taxes - T.V.A.	366	0	0	0	366
Payments in-Lieu-of Taxes - Local Utilities	27,979	0	0	12,953	40,932
<u>County Local Option Taxes</u>					
Local Option Sales Tax	2,524,739	0	0	0	2,524,739
Wheel Tax	342,314	0	0	0	342,314
<u>Statutory Local Taxes</u>					
Bank Excise Tax	5,072	0	0	2,348	7,420
Interstate Telecommunications Tax	1,321	0	0	0	1,321
Total Local Taxes	\$ 4,874,117	\$ 0	\$ 0	\$ 926,979	\$ 5,801,096
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 1,843	\$ 0	\$ 0	\$ 0	\$ 1,843
<u>Permits</u>					
Other Permits	406	0	0	0	406
Total Licenses and Permits	\$ 2,249	\$ 0	\$ 0	\$ 0	\$ 2,249
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Tuition - Regular Day Students	\$ 3,875	\$ 0	\$ 0	\$ 0	\$ 3,875
Contract for Instructional Services with Other LEAs	303,800	0	0	0	303,800
Receipts from Individual Schools	0	0	774,288	0	774,288
TBI Criminal Background Fees	1,080	0	0	0	1,080
Total Charges for Current Services	\$ 308,755	\$ 0	\$ 774,288	\$ 0	\$ 1,083,043
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Lease/Rentals	\$ 7,750	\$ 0	\$ 0	\$ 0	\$ 7,750
Sale of Materials and Supplies	343	0	0	0	343
Refund of Telecommunication & Internet Fees (E-Rate)	42,049	0	0	0	42,049
Miscellaneous Refunds	120,003	0	2,489	0	122,492
<u>Nonrecurring Items</u>					
Sale of Equipment	14,800	0	0	0	14,800
Sale of Property	7,000	0	0	0	7,000
Contributions and Gifts	82,654	0	0	0	82,654
<u>Other Local Revenues</u>					
Other Local Revenues	1,069	0	0	0	1,069
Total Other Local Revenues	\$ 275,668	\$ 0	\$ 2,489	\$ 0	\$ 278,157
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-Behalf Contributions for OPEB	\$ 122,072	\$ 0	\$ 0	\$ 0	\$ 122,072
<u>State Education Funds</u>					
Basic Education Program	17,475,000	0	0	0	17,475,000

(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>					
Early Childhood Education	\$ 499,137	\$ 0	\$ 0	\$ 0	\$ 499,137
School Food Service	20,576	0	0	0	20,576
Driver Education	6,219	0	0	0	6,219
Other State Education Funds	47,600	90,000	0	0	137,600
Career Ladder Program	155,997	0	0	0	155,997
Career Ladder - Extended Contract	67,154	0	0	0	67,154
<u>Other State Revenues</u>					
Mixed Drink Tax	3,950	0	0	0	3,950
State Revenue Sharing - T.V.A.	844,041	0	0	0	844,041
Other State Grants	2,079	0	0	0	2,079
Other State Revenues	5,347	0	0	0	5,347
Total State of Tennessee	\$ 19,249,172	\$ 90,000	\$ 0	\$ 0	\$ 19,339,172
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 933,854	\$ 0	\$ 933,854
USDA - Commodities	0	0	90,944	0	90,944
Breakfast	0	0	402,782	0	402,782
Adult Education State Grant Program	111,466	21,350	0	0	132,816
Vocational Education - Basic Grants to States	0	66,863	0	0	66,863
Title I Grants to Local Education Agencies	0	944,020	0	0	944,020
Special Education - Grants to States	8,251	782,016	0	0	790,267
Special Education Preschool Grants	8,983	24,295	0	0	33,278
English Language Acquisition Grants	0	1,994	0	0	1,994
Rural Education	0	59,587	0	0	59,587
Eisenhower Professional Development State Grants	0	200,033	0	0	200,033
Race-to-the-Top - ARRA	0	267,827	0	0	267,827
Other Federal through State	0	937,891	0	0	937,891
<u>Direct Federal Revenue</u>					
ROTC Reimbursement	66,408	0	0	0	66,408
Total Federal Government	\$ 195,108	\$ 3,305,876	\$ 1,427,580	\$ 0	\$ 4,928,564
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 1,258,568	\$ 0	\$ 0	\$ 0	\$ 1,258,568
Total Other Governments and Citizens Groups	\$ 1,258,568	\$ 0	\$ 0	\$ 0	\$ 1,258,568
Total	\$ 26,163,637	\$ 3,395,876	\$ 2,204,357	\$ 926,979	\$ 32,690,849

Exhibit J-7

Henderson County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2012

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	66,000	
Social Security		4,092	
Employer Medicare		957	
Audit Services		8,331	
Total County Commission			\$ 79,380

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)		21,092	
Social Security		5,567	
State Retirement		5,772	
Medical Insurance		2,271	
Employer Medicare		1,302	
Communication		2,944	
Legal Notices, Recording, and Court Costs		152	
Postal Charges		445	
Travel		2,540	
Office Supplies		1,292	
Other Charges		65	
Total County Mayor/Executive			114,764

County Attorney

Social Security	\$	496	
Unemployment Compensation		133	
Employer Medicare		116	
Dues and Memberships		100	
Legal Services		8,000	
Total County Attorney			8,845

Election Commission

County Official/Administrative Officer	\$	55,576	
Clerical Personnel		21,881	
Part-time Personnel		3,715	
Election Commission		2,549	
Election Workers		6,790	
In-Service Training		3,012	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Social Security	\$	5,114	
State Retirement		4,972	
Employer Medicare		1,196	
Communication		1,456	
Data Processing Services		1,993	
Dues and Memberships		175	
Janitorial Services		300	
Legal Notices, Recording, and Court Costs		2,500	
Maintenance Agreements		718	
Maintenance and Repair Services - Office Equipment		1,106	
Postal Charges		1,180	
Printing, Stationery, and Forms		2,262	
Rentals		8,600	
Other Contracted Services		9,600	
Office Supplies		2,064	
Other Supplies and Materials		1,185	
Total Election Commission			\$ 137,944

Register of Deeds

County Official/Administrative Officer	\$	61,751	
Secretary(ies)		36,832	
Social Security		6,080	
State Retirement		6,613	
Medical Insurance		852	
Employer Medicare		1,422	
Communication		1,493	
Data Processing Services		6,516	
Dues and Memberships		551	
Maintenance and Repair Services - Office Equipment		59	
Postal Charges		1,000	
Travel		1,464	
Office Supplies		2,563	
Other Charges		680	
Office Equipment		1,332	
Total Register of Deeds			129,208

County Buildings

Custodial Personnel	\$	67,374
Social Security		3,884
State Retirement		3,434

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Medical Insurance	\$	4,258	
Communication		19,132	
Licenses		325	
Maintenance Agreements		39,800	
Maintenance and Repair Services - Buildings		76,285	
Maintenance and Repair Services - Equipment		2,846	
Maintenance and Repair Services - Vehicles		390	
Pest Control		4,674	
Custodial Supplies		6,021	
Gasoline		3,982	
Utilities		334,350	
Total County Buildings			\$ 566,755

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	61,750	
Accountants/Bookkeepers		143,428	
Social Security		11,335	
State Retirement		17,084	
Medical Insurance		6,613	
Employer Medicare		2,651	
Communication		4,275	
Data Processing Services		10,201	
Maintenance Agreements		920	
Maintenance and Repair Services - Office Equipment		499	
Postal Charges		3,826	
Printing, Stationery, and Forms		3,485	
Travel		736	
Office Supplies		2,500	
Other Supplies and Materials		431	
Other Charges		1,530	
Office Equipment		1,000	
Total Accounting and Budgeting			272,264

Property Assessor's Office

County Official/Administrative Officer	\$	61,751
Clerical Personnel		68,680
Social Security		7,492
State Retirement		8,874
Medical Insurance		4,365

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Employer Medicare	\$	1,752	
Communication		2,519	
Contracts with Private Agencies		13,981	
Data Processing Services		10,600	
Dues and Memberships		1,805	
Printing, Stationery, and Forms		30	
Office Supplies		642	
Other Charges		111	
Office Equipment		<u>2,988</u>	
Total Property Assessor's Office	\$		185,590

Reappraisal Program

Other Salaries and Wages	\$	27,883	
Social Security		1,591	
State Retirement		2,438	
Medical Insurance		2,271	
Employer Medicare		372	
Gasoline		<u>992</u>	
Total Reappraisal Program			35,547

County Trustee's Office

Communication	\$	1,684	
Data Processing Services		6,823	
Legal Notices, Recording, and Court Costs		250	
Maintenance Agreements		152	
Maintenance and Repair Services - Office Equipment		165	
Postal Charges		6,111	
Printing, Stationery, and Forms		1,650	
Office Supplies		1,988	
Office Equipment		<u>4,275</u>	
Total County Trustee's Office			23,098

County Clerk's Office

Communication	\$	2,887	
Data Processing Services		12,560	
Legal Notices, Recording, and Court Costs		38	
Maintenance Agreements		1,007	
Maintenance and Repair Services - Office Equipment		571	
Postal Charges		9,096	
Office Supplies		1,362	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Office Equipment	\$ 700	
Total County Clerk's Office		\$ 28,221

Administration of Justice

Circuit Court

Other Salaries and Wages	\$ 7,950	
Jury and Witness Expense	7,654	
Social Security	5,064	
State Retirement	6,636	
Medical Insurance	6,587	
Unemployment Compensation	721	
Employer Medicare	1,276	
Communication	7,723	
Dues and Memberships	726	
Legal Notices, Recording, and Court Costs	310	
Maintenance and Repair Services - Office Equipment	130	
Office Supplies	11,140	
Other Charges	87,386	
Total Circuit Court		143,303

General Sessions Court

Judge(s)	\$ 110,975	
Secretary(ies)	24,392	
Social Security	8,059	
State Retirement	8,289	
Medical Insurance	2,202	
Employer Medicare	1,945	
Communication	375	
Travel	829	
Other Contracted Services	30,672	
Office Supplies	1,900	
Total General Sessions Court		189,638

Drug Court

Other Charges	\$ 7,074	
Total Drug Court		7,074

Chancery Court

Communication	\$ 1,627
Data Processing Services	2,513

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Dues and Memberships	\$	521	
Legal Notices, Recording, and Court Costs		1,408	
Maintenance Agreements		504	
Postal Charges		765	
Office Supplies		5,712	
Office Equipment		617	
Total Chancery Court			\$ 13,667

Juvenile Court

Guidance Personnel	\$	30,008	
In-Service Training		560	
Social Security		1,840	
State Retirement		2,692	
Medical Insurance		2,226	
Employer Medicare		430	
Communication		650	
Contracts with Other Public Agencies		349	
Travel		1,018	
Office Supplies		646	
Total Juvenile Court			40,419

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	67,927	
Deputy(ies)		781,581	
Salary Supplements		14,400	
Clerical Personnel		77,103	
Part-time Personnel		953	
In-Service Training		9,669	
Social Security		55,968	
State Retirement		77,923	
Medical Insurance		27,572	
Employer Medicare		13,089	
Communication		26,386	
Dues and Memberships		2,000	
Legal Notices, Recording, and Court Costs		178	
Maintenance Agreements		13,452	
Maintenance and Repair Services - Equipment		25,090	
Maintenance and Repair Services - Vehicles		56,951	
Postal Charges		4,547	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Travel	\$	823	
Gasoline		108,619	
Office Supplies		7,622	
Uniforms		12,564	
Other Charges		87,409	
Office Equipment		265	
Total Sheriff's Department			\$ 1,472,091

Administration of the Sexual Offender Registry

Office Supplies	\$	25	
Other Charges		6,521	
Total Administration of the Sexual Offender Registry			6,546

Workhouse

Guards	\$	658,814	
Cafeteria Personnel		8,696	
Other Salaries and Wages		40,802	
Social Security		42,593	
State Retirement		55,772	
Medical Insurance		22,965	
Unemployment Compensation		5,753	
Employer Medicare		4,209	
Maintenance Agreements		2,005	
Medical and Dental Services		304,108	
Custodial Supplies		21,902	
Drugs and Medical Supplies		1,911	
Food Supplies		164,217	
Other Charges		1,411	
Total Workhouse			1,335,158

Fire Prevention and Control

County Official/Administrative Officer	\$	55,625	
Part-time Personnel		15,050	
In-Service Training		2,250	
Social Security		3,487	
State Retirement		4,839	
Medical Insurance		2,271	
Employer Medicare		816	
Communication		3,331	
Dues and Memberships		200	

(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.)

Maintenance and Repair Services - Buildings	\$	30,610	
Maintenance and Repair Services - Equipment		12,270	
Maintenance and Repair Services - Vehicles		6,935	
Postal Charges		398	
Travel		1,000	
Gasoline		13,800	
Instructional Supplies and Materials		670	
Office Supplies		1,856	
Uniforms		7,411	
Other Supplies and Materials		839	
Trustee's Commission		403	
Other Charges		39,494	
Other Equipment		27,305	
Total Fire Prevention and Control			\$ 230,860

Civil Defense

Other Salaries and Wages	\$	25,673	
In-Service Training		509	
Social Security		1,592	
Unemployment Compensation		144	
Employer Medicare		372	
Communication		2,041	
Maintenance and Repair Services - Vehicles		203	
Other Contracted Services		2,838	
Gasoline		1,287	
Office Supplies		40	
Other Charges		24,591	
Office Equipment		12,210	
Total Civil Defense			71,500

Rescue Squad

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

Other Emergency Management

Supervisor/Director	\$	6,500	
Social Security		313	
State Retirement		576	
Medical Insurance		850	
Employer Medicare		73	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management (Cont.)

Other Charges	\$ 289	
Total Other Emergency Management		\$ 8,601

County Coroner/Medical Examiner

Other Per Diem and Fees	\$ 28,123	
Ambulance Services	3,000	
Total County Coroner/Medical Examiner		31,123

Other Public Safety

County Official/Administrative Officer	\$ 40,000	
Dispatchers/Radio Operators	212,827	
Clerical Personnel	35,400	
Temporary Personnel	6,523	
Part-time Personnel	9,928	
Bonus Payments	5,416	
In-Service Training	3,089	
Social Security	18,811	
State Retirement	24,841	
Medical Insurance	19,776	
Employer Medicare	4,399	
Total Other Public Safety		381,010

Public Health and Welfare

Local Health Center

Custodial Personnel	\$ 5,400	
Other Salaries and Wages	81,212	
Social Security	5,023	
State Retirement	6,272	
Unemployment Compensation	558	
Employer Medicare	1,175	
Communication	5,584	
Maintenance and Repair Services - Buildings	520	
Maintenance and Repair Services - Equipment	31	
Postal Charges	589	
Travel	3,852	
Other Contracted Services	90	
Custodial Supplies	693	
Drugs and Medical Supplies	1,519	
Office Supplies	2,146	
Total Local Health Center		114,664

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Alcohol and Drug Programs

Contributions	\$ 17,000	
Total Alcohol and Drug Programs		\$ 17,000

Other Local Health Services

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

Appropriation to State

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

Waste Pickup

Supervisor/Director	\$ 5,571	
Social Security	1,500	
Unemployment Compensation	600	
Employer Medicare	111	
Advertising	1,000	
Printing, Stationery, and Forms	1,587	
Instructional Supplies and Materials	1,234	
Other Supplies and Materials	3,555	
Other Charges	32,317	
Total Waste Pickup		47,475

Social, Cultural, and Recreational Services

Adult Activities

Contributions	\$ 5,807	
Total Adult Activities		5,807

Senior Citizens Assistance

Contributions	\$ 17,000	
Total Senior Citizens Assistance		17,000

Libraries

Contributions	\$ 44,000	
Other Charges	1,476	
Total Libraries		45,476

Other Social, Cultural, and Recreational

Contributions	\$ 17,145	
Total Other Social, Cultural, and Recreational		17,145

(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)	\$	23,598	
Supervisor/Director		14,951	
Secretary(ies)		7,056	
Other Salaries and Wages		6,500	
Social Security		231	
Unemployment Compensation		60	
Employer Medicare		50	
Communication		3,275	
Maintenance Agreements		3	
Postal Charges		176	
Travel		392	
Total Agriculture Extension Service			\$ 56,292

Soil Conservation

Secretary(ies)	\$	16,114	
Social Security		999	
Unemployment Compensation		154	
Employer Medicare		234	
Office Supplies		42	
Total Soil Conservation			17,543

Flood Control

Other Contracted Services	\$	20,435	
Total Flood Control			20,435

Other Operations

Tourism

Contributions	\$	16,450	
Other Charges		7,390	
Total Tourism			23,840

Industrial Development

Contributions	\$	7,077	
Other Charges		541	
Total Industrial Development			7,618

Veterans' Services

Supervisor/Director	\$	10,615	
Secretary(ies)		20,253	
In-Service Training		826	

(Continued)

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services (Cont.)

Social Security	\$	1,502	
State Retirement		2,686	
Medical Insurance		3,572	
Employer Medicare		351	
Communication		346	
Postal Charges		220	
Office Supplies		769	
Total Veterans' Services			\$ 41,140

Other Charges

Building and Contents Insurance	\$	66,726	
Liability Insurance		69,673	
Vehicle and Equipment Insurance		84,191	
Workers' Compensation Insurance		46,971	
Total Other Charges			267,561

Employee Benefits

Medical Insurance	\$	12,850	
Unemployment Compensation		7,985	
Total Employee Benefits			20,835

Miscellaneous

Part-time Personnel	\$	3,091	
Contracts with Private Agencies		9,360	
Dues and Memberships		6,480	
Maintenance Agreements		1,548	
Office Supplies		140	
Road Signs		2,988	
Trustee's Commission		86,901	
Other Charges		3,153	
Airport Improvement		54,000	
Total Miscellaneous			167,661

Principal on Debt

General Government

Principal on Notes	\$	68,400	
Total General Government			68,400

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Interest on Debt

General Government

Interest on Notes	\$ 17,485	
Total General Government		\$ 17,485

Total General Fund \$ 6,516,583

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Education/Information

Supervisor/Director	\$ 58,153	
Part-time Personnel	117,543	
Social Security	10,851	
State Retirement	4,607	
Medical Insurance	1,135	
Unemployment Compensation	2,105	
Employer Medicare	2,538	
Communication	3,893	
Contracts with Private Agencies	165,000	
Maintenance Agreements	250	
Maintenance and Repair Services - Buildings	794	
Maintenance and Repair Services - Equipment	9,678	
Maintenance and Repair Services - Vehicles	1,606	
Pest Control	25	
Travel	913	
Tires and Tubes	435	
Utilities	12,000	
Other Supplies and Materials	51	
Trustee's Commission	7,110	
Landfill Closure/Postclosure Care Costs	6,685	
Other Charges	7,966	
Motor Vehicles	1,439	
Total Sanitation Education/Information		\$ 414,777

Total Solid Waste/Sanitation Fund 414,777

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$ 3,000
Maintenance and Repair Services - Vehicles	918
Trustee's Commission	115

(Continued)

Exhibit J-7

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Other Charges	\$ 4,725	
Total Drug Enforcement		\$ 8,758

Total Drug Control Fund \$ 8,758

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$ 221,527	
Total County Trustee's Office		\$ 221,527

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 218,678	
Total County Clerk's Office		218,678

Administration of Justice

Circuit Court Clerk

Constitutional Officers' Operating Expenses	\$ 373,129	
Total Circuit Court Clerk		373,129

Chancery Court

Constitutional Officers' Operating Expenses	\$ 253,643	
Total Chancery Court		<u>253,643</u>

Total Constitutional Officers - Fees Fund 1,066,977

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 67,927	
Secretary(ies)	22,097	
Social Security	6,547	
State Retirement	5,672	
Medical Insurance	7,455	
Unemployment Compensation	270	
Employer Medicare	316	
Legal Notices, Recording, and Court Costs	696	
Postal Charges	88	
Office Supplies	3,022	
Other Charges	4,899	
Total Administration		\$ 118,989

(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

Foremen	\$	23,235	
Equipment Operators		183,780	
Truck Drivers		111,162	
Laborers		158,528	
Overtime Pay		2,113	
Social Security		29,089	
State Retirement		35,715	
Medical Insurance		83,464	
Unemployment Compensation		6,000	
Employer Medicare		6,803	
Medical and Dental Services		115	
Asphalt - Cold Mix		44,703	
Asphalt - Liquid		422,869	
Crushed Stone		129,443	
Pipe		41,521	
Road Signs		1,319	
Wood Products		43,932	
Other Supplies and Materials		2,643	
Total Highway and Bridge Maintenance			\$ 1,326,434

Operation and Maintenance of Equipment

Foremen	\$	33,790	
Mechanic(s)		26,134	
Social Security		3,715	
Medical Insurance		10,121	
Unemployment Compensation		540	
Employer Medicare		869	
Laundry Service		438	
Maintenance and Repair Services - Equipment		21,066	
Diesel Fuel		191,391	
Equipment and Machinery Parts		113,472	
Gasoline		27,171	
Lubricants		13,511	
Tires and Tubes		44,140	
Other Supplies and Materials		867	
Total Operation and Maintenance of Equipment			487,225

Other Charges

Communication	\$	4,947	
Maintenance and Repair Services - Buildings		251	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges (Cont.)

Electricity	\$	8,321	
Natural Gas		2,173	
Liability Insurance		31,728	
Trustee's Commission		21,870	
Workers' Compensation Insurance		43,338	
Total Other Charges			\$ 112,628

Employee Benefits

Employee and Dependent Insurance	\$	8,200	
Unemployment Compensation		5,283	
Total Employee Benefits			13,483

Capital Outlay

Highway Equipment	\$	224,085	
Total Capital Outlay			224,085

Principal on Debt

Highways and Streets

Principal on Capital Leases	\$	25,469	
Total Highways and Streets			25,469

Interest on Debt

Highways and Streets

Interest on Capital Leases	\$	568	
Total Highways and Streets			568

Total Highway/Public Works Fund \$ 2,308,881

General Debt Service Fund

Principal on Debt

General Government

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

Education

Principal on Bonds	\$	1,180,000	
Principal on Notes		191,554	
Total Education			1,371,554

(Continued)

Exhibit J-7

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

General Debt Service Fund (Cont.)

Interest on Debt

General Government

Interest on Bonds	\$ 617,300	
Total General Government		\$ 617,300

Education

Interest on Bonds	\$ 512,063	
Interest on Notes	32,518	
Total Education		544,581

Other Debt Service

General Government

Fiscal Agent Charges	\$ 2,619	
Trustee's Commission	45,438	
Total General Government		48,057

Total General Debt Service Fund		\$ 2,656,492
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Rural Debt Service Fund

Principal on Debt

Education

Principal on Bonds	\$ 665,000	
Total Education		\$ 665,000

Interest on Debt

Education

Interest on Bonds	\$ 104,188	
Total Education		104,188

Other Debt Service

Education

Fiscal Agent Charges	\$ 250	
Trustee's Commission	6,054	
Total Education		6,304

Total Rural Debt Service Fund		775,492
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General Capital Projects Fund

Capital Projects

Administration of Justice Projects

Building Construction	\$ 4,054	
Total Administration of Justice Projects		\$ 4,054

Total General Capital Projects Fund		4,054
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(Continued)

Exhibit J-7

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

<u>Education Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Education Capital Projects</u>		
Contributions	\$ 1,258,568	
Total Education Capital Projects		<u>\$ 1,258,568</u>
Total Education Capital Projects Fund		<u>\$ 1,258,568</u>
Total Governmental Funds - Primary Government		<u><u>\$ 15,010,582</u></u>

Exhibit J-8

Henderson County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Henderson County School Department
For the Year Ended June 30, 2012

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 7,754,303	
Career Ladder Program	78,500	
Career Ladder Extended Contracts	45,677	
Homebound Teachers	12,460	
Clerical Personnel	343,889	
Educational Assistants	187,830	
Other Salaries and Wages	162,157	
Non-certified Substitute Teachers	189,345	
Social Security	494,700	
State Retirement	767,699	
Medical Insurance	783,560	
Employer Medicare	119,448	
Tuition	50,000	
Other Contracted Services	12,204	
Instructional Supplies and Materials	208,081	
Textbooks	319,300	
Other Supplies and Materials	19,480	
Other Charges	79,300	
Regular Instruction Equipment	342,360	
Total Regular Instruction Program		\$ 11,970,293

Alternative Instruction Program

Educational Assistants	\$ 23,450	
Social Security	1,454	
State Retirement	1,822	
Employer Medicare	340	
Instructional Supplies and Materials	202	
Other Equipment	5,000	
Total Alternative Instruction Program		32,268

Special Education Program

Teachers	\$ 1,324,059
Career Ladder Program	13,500
Career Ladder Extended Contracts	2,053
Homebound Teachers	2,120
Educational Assistants	214,723
Certified Substitute Teachers	330
Non-certified Substitute Teachers	34,948
Social Security	85,410

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

State Retirement	\$	131,954	
Medical Insurance		154,157	
Employer Medicare		20,739	
Contracts with Private Agencies		43,636	
Maintenance and Repair Services - Equipment		200	
Instructional Supplies and Materials		4,718	
Special Education Equipment		6,145	
Other Equipment		2,213	
Total Special Education Program			\$ 2,040,905

Vocational Education Program

Teachers	\$	762,328	
Career Ladder Program		13,000	
Career Ladder Extended Contracts		3,000	
Non-certified Substitute Teachers		14,675	
Social Security		44,866	
State Retirement		70,438	
Medical Insurance		70,893	
Employer Medicare		10,493	
Instructional Supplies and Materials		20,599	
Other Supplies and Materials		32,950	
Vocational Instruction Equipment		85,952	
Total Vocational Education Program			1,129,194

Adult Education Program

Teachers	\$	26,317	
Other Salaries and Wages		8,666	
Social Security		750	
Employer Medicare		519	
Communication		727	
Other Supplies and Materials		11,856	
Other Charges		970	
Total Adult Education Program			49,805

Support Services

Attendance

Supervisor/Director	\$	65,403	
Career Ladder Program		1,000	
Social Security		3,754	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

State Retirement	\$	6,010	
Medical Insurance		8,778	
Employer Medicare		878	
Travel		2,500	
Total Attendance			\$ 88,323

Health Services

Career Ladder Program	\$	500	
Medical Personnel		192,572	
Social Security		11,420	
State Retirement		14,978	
Medical Insurance		8,803	
Employer Medicare		2,671	
Travel		1,143	
Food Supplies		5,760	
Office Supplies		1,440	
Other Supplies and Materials		6,632	
In Service/Staff Development		1,343	
Other Charges		2,800	
Total Health Services			250,062

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		367,465	
Other Salaries and Wages		71,689	
Social Security		25,641	
State Retirement		39,152	
Medical Insurance		34,170	
Employer Medicare		5,975	
Evaluation and Testing		9,559	
Maintenance and Repair Services - Equipment		595	
Travel		11,146	
Other Supplies and Materials		50	
Other Charges		56,127	
Other Equipment		15,000	
Total Other Student Support			637,569

Regular Instruction Program

Supervisor/Director	\$	208,589	
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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.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Career Ladder Program	\$	9,500	
Librarians		377,542	
Instructional Computer Personnel		68,681	
Other Salaries and Wages		26,998	
Social Security		38,967	
State Retirement		62,094	
Medical Insurance		72,675	
Employer Medicare		9,113	
Maintenance and Repair Services - Equipment		567	
Travel		9,000	
Library Books/Media		23,000	
Other Supplies and Materials		848	
In Service/Staff Development		42,976	
Other Charges		4,467	
Other Equipment		1,000	
Total Regular Instruction Program			\$ 956,017

Alternative Instruction Program

Supervisor/Director	\$	61,115	
Social Security		3,671	
State Retirement		5,531	
Medical Insurance		3,722	
Employer Medicare		859	
Other Supplies and Materials		73	
Total Alternative Instruction Program			74,971

Special Education Program

Supervisor/Director	\$	68,211	
Career Ladder Program		1,000	
Assessment Personnel		47,165	
Secretary(ies)		7,985	
Other Salaries and Wages		7,823	
Social Security		7,429	
State Retirement		10,532	
Medical Insurance		17,772	
Employer Medicare		1,737	
Communication		10,715	
Travel		12,626	
Other Supplies and Materials		9,424	

(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.)

Special Education Program (Cont.)

In Service/Staff Development	\$ 3,728	
Other Charges	8,950	
Total Special Education Program		\$ 215,097

Vocational Education Program

Supervisor/Director	\$ 69,197	
Career Ladder Program	2,000	
Social Security	4,281	
State Retirement	6,443	
Medical Insurance	3,722	
Employer Medicare	1,001	
Travel	7,500	
Other Supplies and Materials	1,002	
Other Charges	2,998	
Total Vocational Education Program		98,144

Adult Programs

Supervisor/Director	\$ 67,693	
Social Security	4,069	
State Retirement	6,126	
Medical Insurance	3,722	
Employer Medicare	952	
Travel	2,000	
In Service/Staff Development	1,320	
Total Adult Programs		85,882

Other Programs

On-Behalf Payments to OPEB	\$ 122,072	
Total Other Programs		122,072

Board of Education

Board and Committee Members Fees	\$ 33,400	
Social Security	1,532	
Medical Insurance	18,998	
Unemployment Compensation	58,049	
Employer Medicare	359	
Audit Services	19,000	
Dues and Memberships	10,369	
Legal Services	3,830	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Travel	\$	1,963	
Trustee's Commission		116,853	
Workers' Compensation Insurance		168,455	
In Service/Staff Development		909	
Criminal Investigation of Applicants - TBI		1,440	
Other Charges		59,916	
Total Board of Education			\$ 495,073

Director of Schools

County Official/Administrative Officer	\$	98,500	
Career Ladder Program		1,000	
Social Security		5,869	
State Retirement		9,005	
Medical Insurance		6,128	
Employer Medicare		1,372	
Communication		15,000	
Dues and Memberships		2,178	
Postal Charges		3,744	
Travel		3,734	
Other Charges		83	
Total Director of Schools			146,613

Office of the Principal

Principals	\$	607,707	
Career Ladder Program		11,500	
Career Ladder Extended Contracts		3,000	
Assistant Principals		189,389	
Social Security		48,011	
State Retirement		73,449	
Medical Insurance		52,637	
Employer Medicare		11,228	
Communication		56,841	
Other Contracted Services		9,686	
In Service/Staff Development		9,575	
Other Charges		527	
Total Office of the Principal			1,073,550

Fiscal Services

Clerical Personnel	\$	54,076	
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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.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

Social Security	\$	3,194	
State Retirement		4,705	
Medical Insurance		3,304	
Employer Medicare		747	
Office Supplies		3,168	
Other Charges		14,253	
Total Fiscal Services			\$ 83,447

Operation of Plant

Custodial Personnel	\$	422,322	
Social Security		23,432	
State Retirement		28,307	
Medical Insurance		23,273	
Employer Medicare		5,641	
Janitorial Services		71,079	
Disposal Fees		21,544	
Other Contracted Services		40,000	
Custodial Supplies		68,246	
Electricity		715,679	
Natural Gas		105,200	
Water and Sewer		77,457	
Building and Contents Insurance		210,417	
Other Charges		27,706	
Total Operation of Plant			1,840,303

Maintenance of Plant

Supervisor/Director	\$	27,104	
Maintenance Personnel		105,264	
Social Security		7,994	
State Retirement		11,864	
Medical Insurance		7,903	
Employer Medicare		1,870	
Maintenance and Repair Services - Buildings		316,263	
Maintenance and Repair Services - Equipment		9,867	
Maintenance and Repair Services - Vehicles		10,000	
Travel		35	
Other Contracted Services		783,465	
Other Supplies and Materials		29,882	
Other Charges		27,417	

(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.)

Maintenance of Plant (Cont.)

Maintenance Equipment	\$ 21,137	
Total Maintenance of Plant		\$ 1,360,065

Transportation

Bus Drivers	\$ 45,502	
Social Security	2,821	
Employer Medicare	681	
Maintenance and Repair Services - Vehicles	5,986	
Diesel Fuel	244,073	
Transportation Equipment	58,450	
Total Transportation		357,513

Central and Other

Operating Lease Payments	\$ 200	
Total Central and Other		200

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 29,900	
Clerical Personnel	9,839	
In-Service Training	3,500	
Social Security	2,290	
State Retirement	3,457	
Medical Insurance	3,304	
Employer Medicare	536	
Travel	3,000	
Food Service Equipment	25,772	
Total Food Service		81,598

Early Childhood Education

Teachers	\$ 228,829	
Educational Assistants	73,323	
Social Security	17,296	
State Retirement	26,750	
Medical Insurance	22,679	
Employer Medicare	4,045	
Travel	10,278	
Food Supplies	5,042	
Instructional Supplies and Materials	46,597	

(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.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

Other Supplies and Materials	\$ 20,094	
Other Charges	39,224	
Administration Equipment	4,979	
Total Early Childhood Education		\$ 499,136

Capital Outlay

Regular Capital Outlay

Building Improvements	\$ 491,280	
Total Regular Capital Outlay		491,280

Principal on Debt

Education

Principal on Other Loans	\$ 40,204	
Total Education		40,204

Interest on Debt

Education

Interest on Other Loans	\$ 12,578	
Total Education		12,578

Other Debt Service

Education

Contributions	\$ 291,225	
Other Debt Service	734	
Total Education		<u>291,959</u>

Total General Purpose School Fund \$ 24,524,121

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 298,663
Educational Assistants	235,853
Other Salaries and Wages	833,836
Non-certified Substitute Teachers	533
Social Security	83,405
State Retirement	119,987
Medical Insurance	39,922
Employer Medicare	19,515

(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.)

Regular Instruction Program (Cont.)

Instructional Supplies and Materials	\$	36,281	
Other Charges		3,195	
Regular Instruction Equipment		35,741	
Total Regular Instruction Program			\$ 1,706,931

Special Education Program

Teachers	\$	41,727	
Clerical Personnel		16,915	
Educational Assistants		354,781	
Social Security		23,826	
State Retirement		35,936	
Medical Insurance		16,390	
Employer Medicare		5,591	
Contracts with Private Agencies		104,114	
Maintenance and Repair Services - Equipment		2,475	
Instructional Supplies and Materials		1,997	
Other Supplies and Materials		2,952	
Special Education Equipment		8,065	
Total Special Education Program			614,769

Vocational Education Program

Other Supplies and Materials	\$	48,248	
Vocational Instruction Equipment		4,629	
Total Vocational Education Program			52,877

Adult Education Program

Teachers	\$	10,448	
Social Security		648	
Employer Medicare		151	
Communication		863	
Evaluation and Testing		470	
Postal Charges		90	
Instructional Supplies and Materials		1,311	
Other Supplies and Materials		3,059	
Other Charges		4,234	
Total Adult Education Program			21,274

(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

Health Services

Other Salaries and Wages	\$	56,127	
Social Security		3,137	
State Retirement		5,079	
Medical Insurance		6,165	
Employer Medicare		734	
Communication		1,015	
Travel		3,000	
Instructional Supplies and Materials		14,423	
Other Charges		318	
Total Health Services			\$ 89,998

Other Student Support

Other Salaries and Wages	\$	2,900	
Social Security		180	
State Retirement		263	
Employer Medicare		42	
Communication		9,865	
Evaluation and Testing		59,016	
Travel		12,100	
In Service/Staff Development		5,620	
Other Charges		8,796	
Total Other Student Support			98,782

Regular Instruction Program

Supervisor/Director	\$	95,208	
Secretary(ies)		16,915	
Other Salaries and Wages		187,158	
In-Service Training		27,829	
Social Security		14,341	
State Retirement		22,455	
Medical Insurance		17,272	
Employer Medicare		3,689	
Travel		20,591	
Other Supplies and Materials		71,704	
In Service/Staff Development		80,140	
Other Charges		1,436	
Other Equipment		63,495	
Total Regular Instruction Program			622,233

(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.)

Special Education Program

Secretary(ies)	\$	19,678	
Social Security		1,220	
Employer Medicare		285	
Travel		25,000	
In Service/Staff Development		6,000	
Other Charges		2,000	
Total Special Education Program			\$ 54,183

Adult Programs

Travel	\$	141	
Total Adult Programs			141

Transportation

Bus Drivers	\$	87,452	
Social Security		5,360	
State Retirement		3,576	
Employer Medicare		1,254	
Contracts with Parents		8,998	
Maintenance and Repair Services - Vehicles		2,826	
Other Contracted Services		710	
Diesel Fuel		28,866	
Transportation Equipment		1,000	
Total Transportation			<u>140,042</u>

Total School Federal Projects Fund \$ 3,401,230

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	722,531	
Social Security		42,498	
State Retirement		52,326	
Medical Insurance		33,662	
Employer Medicare		9,942	
Communication		8,259	
Travel		913	
Food Supplies		993,461	
Uniforms		524	
USDA - Commodities		90,944	

(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 (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Other Supplies and Materials	\$ 142,800	
Other Charges	15	
Total Food Service	<u> </u>	\$ 2,097,875

Total Central Cafeteria Fund \$ 2,097,875

School Transportation Fund

Support Services

Board of Education

Trustee's Commission	\$ 18,293	
Total Board of Education	<u> </u>	\$ 18,293

Transportation

Supervisor/Director	\$ 22,600	
Social Security	1,401	
State Retirement	1,966	
Employer Medicare	328	
Communication	1,097	
Contracts with Vehicle Owners	775,711	
Maintenance and Repair Services - Vehicles	1,521	
Travel	842	
Other Contracted Services	5,000	
Diesel Fuel	39,583	
Other Charges	3,500	
Total Transportation	<u> </u>	<u>853,549</u>

Total School Transportation Fund 871,842

Total Governmental Funds - Henderson County School Department \$ 30,895,068

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, 2012

	Cities - Sales Tax Fund	City School ADA - Lexington Fund	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 463,543	\$ 463,543
Trustee's Collections - Prior Year	0	22,882	22,882
Circuit/Clerk and Master Collections - Prior Years	0	5,500	5,500
Interest and Penalty	0	4,867	4,867
Payments in-Lieu-of Taxes - Local Utilities	0	7,068	7,068
Local Option Sales Tax	3,052,669	761,570	3,814,239
Wheel Tax	0	86,363	86,363
Bank Excise Tax	0	1,280	1,280
Interstate Telecommunications Tax	0	312	312
Marriage Licenses	0	465	465
Mixed Drink Tax	0	1,004	1,004
Total Cash Receipts	<u>\$ 3,052,669</u>	<u>\$ 1,354,854</u>	<u>\$ 4,407,523</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 3,022,142	\$ 1,330,478	\$ 4,352,620
Trustee's Commission	30,527	18,487	49,014
Total Cash Disbursements	<u>\$ 3,052,669</u>	<u>\$ 1,348,965</u>	<u>\$ 4,401,634</u>
Excess of Cash Receipts			
Over (Under) Cash Disbursements	\$ 0	\$ 5,889	\$ 5,889
Cash Balance, July 1, 2011	0	79,868	79,868
Cash Balance, June 30, 2012	<u>\$ 0</u>	<u>\$ 85,757</u>	<u>\$ 85,757</u>

SINGLE AUDIT SECTION



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

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

October 31, 2012

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, 2012, which collectively comprise Henderson County's basic financial statements and have issued our report thereon dated October 31, 2012. 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

The management of Henderson County is responsible for establishing and maintaining effective 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.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting: 12.01, 12.03(C), 12.06, and 12.08. 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.

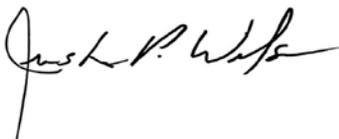
Compliance and Other Matters

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 12.02, 12.03(A,B), 12.04, 12.05, and 12.07.

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, road supervisor, director of schools, 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/yu



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT 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

Independent Auditor's Report

October 31, 2012

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited Henderson County's compliance 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, 2012. 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, 2012.

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 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.

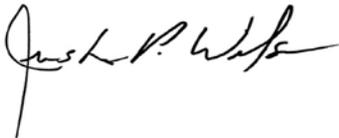
Schedule of Expenditures of Federal Awards

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, 2012, and have issued our report thereon dated October 31, 2012. 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, road supervisor, director of schools, finance director, County Commission, Board of Education, Financial Management Committee, others within Henderson County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yours very truly,

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

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

Henderson County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2012

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	\$ 90,944 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	402,782
National School Lunch Program	10.555	N/A	933,854 (3)
Total U.S. Department of Agriculture			<u>\$ 1,427,580</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)	\$ 9,315
Total U.S. Department of Justice			<u>\$ 9,315</u>
U.S. Department of Labor:			
Passed-through Southwest Human Resource Agency:			
WIA Youth Activities	17.259	N/A	\$ 21,415
Total U.S. Department of Labor			<u>\$ 21,415</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	Z12ghs130	\$ 7,714
Total U.S. Department of Transportation			<u>\$ 7,714</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)	\$ 1,258,568 (4)
Total U.S. Environmental Protection Agency			<u>\$ 1,258,568</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	(2)	\$ 111,466
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	955,169
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	792,948
Special Education - Preschool Grants	84.173	N/A	33,278
Career and Technical Education - Basic Grants to States	84.048	N/A	66,863
Education Technology State Grants Cluster:			
Education Technology State Grants	84.318	N/A	585
Education Technology State Grants, Recovery Act	84.386	N/A	15,606
Rural Education	84.358	N/A	59,587
Improving Teacher Quality State Grants	84.367	N/A	200,238
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	267,828
Education Jobs Fund	84.410	N/A	921,700
Passed-through State Department of Human Services:			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	N/A	2,079
Total U.S. Department of Education			<u>\$ 3,427,347</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	34101-0000009640	\$ 21,455
Emergency Management Performance Grants	97.042	34101-0000007505	21,001
Homeland Security Grant Program	97.067	(2)	10,864
Total U.S. Department of Homeland Security			\$ 53,320
Total Expenditures of Federal Awards			\$ 6,205,259
<u>State Grants</u>			
Litter Program - State Department of Transportation	N/A	(2)	\$ 29,167
Volunteer Fire Assistance Grant Program - State Department of Agriculture	N/A	(2)	3,000
May 2010 Flood Stream Debris Removal and Repair - State Department of Environment and Conservation	N/A	DG1237638	42,900
Waste Tire Option Grant - State Department of Environment and Conservation	N/A	(2)	3,276
Coordinated School Health - State Department of Education	N/A	(2)	90,000
ACT/Explore - State Department of Education	N/A	(2)	4,889
Connectenn - State Department of Education	N/A	(2)	13,225
Statewide Student Management System - State Department of Education	N/A	(2)	9,686
Safe Schools - State Department of Education	N/A	(2)	19,800
Early Childhood Education - State Department of Education	N/A	(2)	499,137
Total State Grants			\$ 715,080

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 \$1,024,798.
- (4) During the 2010-11 year, Henderson County received a loan of \$542,014 from the Environmental Protection Agency that was passed through the State Department of Environment and Conservation for wastewater facility improvements. During the current year, Henderson County received and expended additional loan funds of \$1,258,568. At June 30, 2012, the county had an outstanding loan balance of \$1,760,368.

Henderson County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2012

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, 2011, which have not been corrected.

OFFICE OF FINANCE DIRECTOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.02	151	The office had deficiencies in budget operations
11.04	152	Amounts withheld from contractor payments were not deposited into an escrow account
11.05	152	Designated situs-based taxes were inadequate to fund rural fire protection

OFFICES OF COUNTY CLERK AND CIRCUIT COURT CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.07	154	Excess fees were not reported and paid to the county in compliance with state statute

OFFICE OF CLERK AND MASTER

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.09	155	Multiple employees operated from the same cash drawer

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

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.10	155	Duties were not segregated adequately

HENDERSON COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2012

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. None of these deficiencies was considered to be a material weaknesses.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Henderson County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that were required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: 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), and Education Jobs Fund (CFDA No. 84.410) 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 12.01 **PURCHASE ORDERS WERE NOT ISSUED IN SOME INSTANCES**

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The office did not issue purchase orders for some applicable purchases. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments. The failure to issue purchase orders could result in unauthorized purchases, purchases made without adequate appropriations, or undocumented purchasing commitments. This deficiency can be attributed to a lack of management oversight.

RECOMMENDATION

To strengthen internal controls over the purchasing process and to document purchasing commitments, the office should issue purchase orders for all applicable purchases.

FINDING 12.02 **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 failure to correct the finding noted in the prior-year audit report. 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 12.03

THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS

(A. and B. – Noncompliance Under *Government Auditing Standards*;
C. – Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Our examination revealed the following deficiencies in budget operations of the Henderson County Finance Department. These deficiencies exist because management failed to hold spending to the limits authorized by the County Commission, which resulted in unauthorized expenditures, and management failed to correct budgetary deficiencies noted in the prior-year audit report.

- A. General Purpose School Fund expenditures exceeded appropriations approved by the County Commission in the Transfers Out major appropriation category (the legal level of control) by \$400,000. This was due to a transfer of \$400,000 from the General Purpose School Fund to the School Federal Projects Fund to provide operating funds until federal reimbursements of grant expenditures were received. This transfer was approved by the Board of Education, but was not approved by the County Commission. 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.”
- B. In three instances, salaries exceeded line-item appropriations in the School Federal Projects Fund by amounts ranging from \$133 to \$2,364. The budget resolution approved by the County Commission states that the salary wages or enumeration of each official, employee, or agent of the county will not exceed expenditures that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the County Commission.
- C. The budget and subsequent amendments approved by the County Commission for the Highway/Public Works and Central Cafeteria funds resulted in appropriations exceeding estimated available funding by \$75,926 and \$10,000, respectively. Sound budgetary principles dictate that appropriations be held within estimated available funding.

RECOMMENDATION

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

FINDING 12.04 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 2011-12 year, Henderson County expended \$305,881 from the General Fund to provide fire protection service to rural areas of the county. However, the situs-based taxes totaled \$215,446 for the year and were not sufficient to cover the operating expenditures of \$305,881. 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.

OFFICES OF COUNTY CLERK AND CIRCUIT COURT CLERK

FINDING 12.05 EXCESS FEES WERE NOT REPORTED AND PAID TO THE COUNTY IN COMPLIANCE WITH STATE STATUTE
(Material Noncompliance Under *Government Auditing Standards*)

The county clerk and circuit court clerk 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. Excess fees retained in these offices exceeded statutory limits for each quarter covered by our examination. The county clerk paid excess fees of \$20,000 during the period under examination; however excess fees totaled \$608,979 on June 30, 2012, and were approximately \$563,000 more than the amount permitted by state statute. The circuit court clerk paid excess fees of \$79,560 during the period under examination; however excess fees totaled \$382,089 on June 30, 2012, and were approximately \$302,000 more than the amount permitted by state statute. Therefore, approximately \$865,000 (\$563,000 plus \$302,000) is due to the county's General Fund, which could be used to pay county expenses. This deficiency exists because management failed to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

OFFICES OF COUNTY CLERK AND CLERK AND MASTER

FINDING 12.06 **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 Offices of County Clerk and 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, officials 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 officials resulting in a loss of control over assets. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

Officials should assign each employee their own cash drawer.

OFFICE OF SHERIFF

FINDING 12.07 **PROFITS FROM COMMISSARY OPERATIONS WERE NOT REMITTED TO THE COUNTY TRUSTEE MONTHLY**

(Noncompliance Under *Government Auditing Standards*)

Profits from commissary operations were not remitted to the county trustee monthly. The state attorney general opined in November 1989 that profits earned from commissary operations are local revenues and should be administered as any other local revenue. Section 8-24-103, *Tennessee Code Annotated*, provides that all funds earned by the Sheriff's Department should be reported to the county trustee monthly. In April 2012, the department began remitting the commissary profits monthly to the trustee.

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

FINDING 12.08

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, 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 would significantly improve management oversight and accountability. The absence of an Audit Committee has been a management decision by the County Commission. The Division of Local Government 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 being 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, 2012**

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