



**ANNUAL FINANCIAL REPORT
HENRY COUNTY, TENNESSEE**



FOR THE YEAR ENDED JUNE 30, 2013



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FOR THE YEAR ENDED JUNE 30, 2013**

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

***DIVISION OF LOCAL GOVERNMENT AUDIT
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Director***

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State Auditors***

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

HENRY COUNTY, TENNESSEE

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Audit Highlights
Annual Financial Report
Henry County, Tennessee
For the Year Ended June 30, 2013

Scope

We have audited the basic financial statements of Henry County as of and for the year ended June 30, 2013.

Results

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

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

Findings and Best Practice

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

OFFICE OF COUNTY MAYOR

- ◆ Bank statements were not accurately reconciled with the general ledger, and lists of outstanding warrants were not prepared.
-

OFFICE OF TRUSTEE

- ◆ Bank statements were not accurately reconciled with the general ledger.
-

OFFICE OF JUVENILE COURT CLERK

- ◆ Deficiencies were noted in the maintenance of accounting records.
-

BEST PRACTICE

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

INTRODUCTORY SECTION

Henry County Officials

June 30, 2013

Officials

Brent Greer, County Mayor
Lowell Ray Norwood, County Road Supervisor
Sam Miles, Director of Schools
David Stone, Trustee
Charles VanDyke, Assessor of Property
Donna Craig, County Clerk
Mike Wilson, Circuit, General Sessions, and Juvenile Courts Clerk
Mary Burns, Clerk and Master
Pam Martin, Register of Deeds
Monte Belew, Sheriff

Board of County Commissioners

Brent Greer, County Mayor, Chairman
Wes Bradley
Dell Carter
Greg Carter
Bobby Freeman
Kenneth Humphreys
Don Jones
Kreg Kyle

Paul Mathenia
Connie McSwain
Paul Neal
Dan Paschall
Monte Starks
James Travis
Marty Visser
David Webb

Board of Education

Tom Beasley, Chairman
Doug Braden
Rod Frey
Jim McCampbell
Robert Sleadd

Highway Commission

Bobby Milam, Chairman
Marty Allison
Cody Craig
Keith Hopkins
Vic Mallard
Kyle Norwood

Audit Committee – Effective December 16, 2013

Tom Beasley
Melanie Dodd
Steve Greer
Kenneth Humphreys
Bobby Milam

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
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Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henry County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Henry County Medical Center, which represent 68.4 percent, 62.9 percent, and 69.5 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Also, we did not audit the financial statements of the Henry County Emergency Communications District, which represent 1.7 percent, 2.4 percent, and .7 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and

our opinion, insofar as it relates to the amounts included for the Henry County Medical Center and the Henry County Emergency Communications District, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henry County, Tennessee, as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparison for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

We draw attention to Note I.D.8. in the financial statements, which describes a restatement to the beginning balance of the government-wide financial statements totaling \$208,184. This restatement was necessary because prior to July 1, 2012, debt issuance costs were deferred and amortized over the life of the debt; however, with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, debt issuance costs become period costs.

As described in Note V.B., Henry County has adopted the provisions of GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA*

Pronouncements; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*, which became effective for the year ended June 30, 2013. Henry County early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

Other Matters

Required Supplementary Information

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 schedules of funding progress – pension plans and other postemployment benefits plans on pages 85-87 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.

Supplementary and Other Information

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

The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Henry County School Department (a discretely presented component unit), and miscellaneous schedules are the responsibility

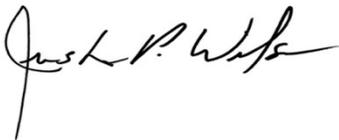
of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Henry County School Department (a discretely presented component unit), and miscellaneous schedules are fairly stated, in all material respects, in relation to the basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2013, on our consideration of Henry County's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Henry County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

December 30, 2013

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Henry County, Tennessee
Statement of Net Position
June 30, 2013

	Primary Governmental Activities	Component Units		
		Henry County School Department	Henry County Medical Center	Henry County Emergency Communications District
<u>ASSETS</u>				
Cash	\$ 10,203	\$ 0	\$ 1,166,822	\$ 799,173
Equity in Pooled Cash and Investments	7,772,734	4,302,611	0	0
Inventories	0	0	2,184,887	0
Investments	0	0	6,960,300	0
Accounts Receivable	107,247	0	18,735,381	52,825
Allowance for Uncollectibles	0	0	(9,661,000)	0
Due from Other Governments	1,018,070	1,903,263	0	0
Property Taxes Receivable	5,425,792	4,888,337	0	0
Allowance for Uncollectible Property Taxes	(147,688)	(133,442)	0	0
Prepaid Items	0	0	484,362	0
Accrued Interest Receivable	0	0	0	145
Cash Shortage	64,361	0	0	0
Other Current Assets	0	0	1,907,342	0
Other Restricted Assets	0	0	10,514,036	0
Capital Assets:				
Assets Not Depreciated:				
Land	5,189,075	610,066	851,433	108,710
Construction in Progress	33,915	1,321,578	329,908	682,671
Assets Net of Accumulated Depreciation:				
Buildings and Improvements	4,537,257	21,330,365	33,233,448	51,007
Infrastructure	16,935,591	0	0	0
Other Capital Assets	644,498	1,758,629	10,472,205	337,294
Goodwill and Other Intangible Assets	0	0	5,067,295	0
Total Assets	\$ 41,591,055	\$ 35,981,407	\$ 82,246,419	\$ 2,031,825
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Charge on Refunding	\$ 191,600	\$ 0	\$ 0	\$ 0
Total Deferred Outflows of Resources	\$ 191,600	\$ 0	\$ 0	\$ 0
<u>LIABILITIES</u>				
Accounts Payable	\$ 270,510	\$ 187,121	\$ 1,782,452	\$ 17,208
Accrued Payroll	0	2,022	0	0
Contracts Payable	0	375,016	0	0
Accrued Interest Payable	66,341	0	0	0
Other Current Liabilities	0	0	4,298,874	0
Noncurrent Liabilities:				
Due Within One Year	2,001,395	3,479	1,550,805	0
Due in More Than One Year (net of unamortized premium on debt)	19,766,260	1,832,074	22,064,415	0
Total Liabilities	\$ 22,104,506	\$ 2,399,712	\$ 29,696,546	\$ 17,208
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 5,108,033	\$ 4,600,741	\$ 0	\$ 0
Total Deferred Inflows of Resources	\$ 5,108,033	\$ 4,600,741	\$ 0	\$ 0

(Continued)

Exhibit A

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

	Primary Governmental Activities	Component Units		
		Henry County School Department	Henry County Medical Center	Henry County Emergency Communications District
<u>NET POSITION</u>				
Net Investment in Capital Assets	\$ 23,878,336	\$ 25,020,638	\$ 21,271,774	\$ 1,179,682
Restricted for:				
Public Safety	166,643	0	0	0
Public Health and Welfare	46,397	0	0	0
Other Operations	218,316	0	0	0
Highway/Public Works	556,435	0	0	0
Education	0	372,517	0	0
Operation of Non-Instructional Services	0	576,807	0	0
Capital Outlay	637,371	0	0	0
Unrestricted	(10,933,382)	3,010,992	31,278,099	834,935
Total Net Position	<u>\$ 14,570,116</u>	<u>\$ 28,980,954</u>	<u>\$ 52,549,873</u>	<u>\$ 2,014,617</u>

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

Exhibit B

Henry County, Tennessee
 Statement of Activities
 For the Year Ended June 30, 2013

Functions/Programs	Net (Expense) Revenue and Changes in Net Position									
	Program Revenues					Component Units				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Henry County School Department	Henry County Medical Center	Henry County Emergency Communications	District	
Primary Government:										
Governmental Activities:										
General Government	\$ 902,641	\$ 494,985	\$ 15,164	\$ 0	\$ (392,492)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	1,068,068	846,944	0	0	(221,124)	0	0	0	0	0
Administration of Justice	1,134,421	733,429	9,000	10,000	(381,992)	0	0	0	0	0
Public Safety	4,980,097	1,731,444	116,436	0	(3,132,217)	0	0	0	0	0
Public Health and Welfare	799,943	216,898	50,596	175,000	(357,449)	0	0	0	0	0
Social, Cultural, and Recreational Services	370,558	0	36,714	0	(333,844)	0	0	0	0	0
Agriculture and Natural Resources	183,949	0	0	0	(183,949)	0	0	0	0	0
Other Operations	1,973,264	514,811	679,983	422,195	(356,275)	0	0	0	0	0
Highways	4,678,451	29,480	1,911,813	321,208	(2,415,950)	0	0	0	0	0
Interest on Long-term Debt	725,968	0	1,645,665	0	919,697	0	0	0	0	0
Other Debt Service	170,852	0	58,401	0	(112,451)	0	0	0	0	0
Total Primary Government	\$ 16,988,212	\$ 4,567,991	\$ 4,523,772	\$ 928,403	\$ (6,968,046)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Component Units:										
Henry County School Department	\$ 30,717,282	\$ 681,955	\$ 4,977,576	\$ 0	0	\$ (25,057,751)	\$ 0	\$ 0	\$ 0	\$ 0
Henry County Medical Center	72,114,291	69,115,846	0	0	0	0	(2,998,445)	0	0	0
Henry County Emergency Communications District	330,515	221,142	260,956	0	0	0	0	0	151,583	151,583
Total Component Units	\$ 103,162,088	\$ 70,018,943	\$ 5,238,532	\$ 0	\$ 0	\$ (25,057,751)	\$ (2,998,445)	\$ 0	\$ 151,583	\$ 151,583

(Continued)

Exhibit B

Henry County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Units		
					Henry County School Department	Henry County Medical Center	Henry County Emergency Communications District
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes				\$ 4,934,365	\$ 4,746,346	\$ 0	\$ 0
Property Taxes Levied for Debt Service				251,406	0	0	0
Local Option Sales Taxes				604,700	2,645,441	0	0
Hotel/Motel Tax				206,937	0	0	0
Wheel Tax				460,870	0	0	0
Litigation Tax				148,679	0	0	0
Business Tax				155,333	134,792	0	0
Wholesale Beer Tax				292,970	0	0	0
Other Local Taxes				1,866	1,891	0	0
Grants and Contributions Not Restricted to Specific Programs				703,090	16,787,759	0	234,560
Unrestricted Investment Income				44,364	0	113,975	387
Miscellaneous				191,456	123,038	1,598,475	5,379
Gain on Disposal of Capital Assets				0	225,000	0	0
				<u>\$ 7,996,036</u>	<u>\$ 24,664,267</u>	<u>\$ 1,712,450</u>	<u>\$ 240,326</u>
Change in Net Position				\$ 1,027,990	\$ (393,484)	\$ (1,285,995)	\$ 391,909
Net Position, July 1, 2012				13,750,310	29,374,438	53,835,868	1,622,708
Restatement - See Note I.D.8.				(208,184)	0	0	0
Net Position, June 30, 2013				<u>\$ 14,570,116</u>	<u>\$ 28,980,954</u>	<u>\$ 52,549,873</u>	<u>\$ 2,014,617</u>

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

Exhibit C-1

Henry County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2013

	Major Funds			Nonmajor Funds	Total
	Highway / Public Works	General Debt Service	Other Govern- mental Funds	Govern- mental Funds	Governmental Funds
ASSETS					
Cash	\$ 0	\$ 0	\$ 0	\$ 10,203	\$ 10,203
Equity in Pooled Cash and Investments	3,548,126	726,585	2,491,051	1,006,972	7,772,734
Accounts Receivable	79,764	0	0	27,483	107,247
Due from Other Governments	675,354	341,724	992	0	1,018,070
Due from Other Funds	10,203	321,795	0	0	331,998
Property Taxes Receivable	3,343,461	1,525,088	263,957	293,286	5,425,792
Allowance for Uncollectible Property Taxes	(91,008)	(41,512)	(7,184)	(7,984)	(147,688)
Cash Shortage	20,581	0	0	43,780	64,361
Total Assets	\$ 7,586,481	\$ 2,873,680	\$ 2,748,816	\$ 1,373,740	\$ 14,582,717
LIABILITIES					
Accounts Payable	\$ 112	\$ 270,398	\$ 0	\$ 0	\$ 270,510
Due to Other Funds	321,795	0	0	10,203	331,998
Total Liabilities	\$ 321,907	\$ 270,398	\$ 0	\$ 10,203	\$ 602,508
DEFERRED INFLOWS OF RESOURCES					
Deferred Current Property Taxes	\$ 3,147,653	\$ 1,435,772	\$ 248,499	\$ 276,109	\$ 5,108,033
Deferred Delinquent Property Taxes	93,450	42,609	7,383	8,195	151,637
Other Deferred/Unavailable Revenue	283,063	173,547	0	0	456,610
Total Deferred Inflows of Resources	\$ 3,524,166	\$ 1,651,928	\$ 255,882	\$ 284,304	\$ 5,716,280
FUND BALANCES					
Restricted:					
Restricted for Public Safety	\$ 7,519	\$ 0	\$ 0	\$ 159,124	\$ 166,643
Restricted for Public Health and Welfare	38,202	0	0	0	38,202
Restricted for Other Operations	177,212	0	0	0	177,212
Restricted for Highways/Public Works	0	340,279	0	0	340,279
Restricted for Capital Outlay	0	0	0	637,371	637,371
Restricted for Debt Service	0	0	925,590	0	925,590
Committed:					
Committed for Public Health and Welfare	0	0	0	282,738	282,738
Committed for Highways/Public Works	0	611,075	0	0	611,075
Committed for Debt Service	0	0	1,567,344	0	1,567,344
Assigned:					
Assigned for General Government	593	0	0	0	593
Assigned for Administration of Justice	12,836	0	0	0	12,836
Assigned for Public Safety	15,801	0	0	0	15,801
Assigned for Public Health and Welfare	920	0	0	0	920
Assigned for Other Operations	43,318	0	0	0	43,318
Unassigned	3,444,007	0	0	0	3,444,007
Total Fund Balances	\$ 3,740,408	\$ 951,354	\$ 2,492,934	\$ 1,079,233	\$ 8,263,929
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,586,481	\$ 2,873,680	\$ 2,748,816	\$ 1,373,740	\$ 14,582,717

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

Exhibit C-2

Henry County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2013

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$ 8,263,929
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 5,189,075	
Add: construction in progress	33,915	
Add: buildings and improvements net of accumulated depreciation	4,537,257	
Add: infrastructure net of accumulated depreciation	16,935,591	
Add: other capital assets net of accumulated depreciation	<u>644,498</u>	27,340,336
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: notes payable	\$ (2,156,412)	
Less: other loans payable	(1,854,200)	
Less: bonds payable	(14,518,631)	
Add: deferred amount on refunding	191,600	
Less: other deferred revenue - premium on debt	(669,018)	
Less: accrued interest on notes and bonds	(66,341)	
Less: accreted interest on bonds	(2,167,686)	
Less: other postemployment benefits liability	(66,068)	
Less: compensated absences payable	<u>(335,640)</u>	(21,642,396)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>608,247</u>
Net position of governmental activities (Exhibit A)		<u>\$ 14,570,116</u>

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

Exhibit C-3

Henry County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
Revenues					
Local Taxes	\$ 5,091,938	\$ 1,557,021	\$ 319,944	\$ 298,444	\$ 7,267,347
Licenses and Permits	151,503	0	0	0	151,503
Fines, Forfeitures, and Penalties	207,930	0	0	20,529	228,459
Charges for Current Services	148,560	0	0	6,933	155,493
Other Local Revenues	702,779	150,210	157,888	214,265	1,225,142
Fees Received from County Officials	1,520,304	0	0	0	1,520,304
State of Tennessee	2,861,816	2,213,937	0	4,514	5,080,267
Federal Government	264,674	5,226	0	175,000	444,900
Other Governments and Citizens Groups	229,512	0	1,645,665	7,395	1,882,572
Total Revenues	\$ 11,179,016	\$ 3,926,394	\$ 2,123,497	\$ 727,080	\$ 17,955,987
Expenditures					
Current:					
General Government	\$ 963,692	\$ 0	\$ 0	\$ 0	\$ 963,692
Finance	797,364	0	0	0	797,364
Administration of Justice	881,810	0	0	6,933	888,743
Public Safety	3,534,076	0	0	82,335	3,616,411
Public Health and Welfare	126,271	0	0	567,104	693,375
Social, Cultural, and Recreational Services	291,679	0	0	0	291,679
Agriculture and Natural Resources	174,617	0	0	0	174,617
Other Operations	3,658,356	0	7,647	7,344	3,673,347
Highways	0	4,201,996	0	0	4,201,996
Debt Service:					
Principal on Debt	0	263,000	1,622,582	0	1,885,582
Interest on Debt	0	5,771	694,955	0	700,726
Other Debt Service	0	7,022	158,243	5,587	170,852
Capital Projects	0	0	0	474,964	474,964
Total Expenditures	\$ 10,427,865	\$ 4,477,789	\$ 2,483,427	\$ 1,144,267	\$ 18,533,348
Excess (Deficiency) of Revenues Over Expenditures					
	\$ 751,151	\$ (551,395)	\$ (359,930)	\$ (417,187)	\$ (577,361)
Other Financing Sources (Uses)					
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 461,623	\$ 461,623
Refunding Debt Issued	0	0	7,395,000	0	7,395,000
Premiums on Debt Issued	0	0	708,108	7,050	715,158
Insurance Recovery	0	99,405	0	0	99,405
Transfers In	0	445,896	110,813	0	556,709
Transfers Out	(539,477)	0	0	(17,232)	(556,709)
Payments to Refunded Debt Escrow Agent	0	0	(7,997,834)	0	(7,997,834)
Total Other Financing Sources (Uses)	\$ (539,477)	\$ 545,301	\$ 216,087	\$ 451,441	\$ 673,352
Net Change in Fund Balances					
Fund Balance, July 1, 2012	\$ 3,528,734	\$ 957,448	\$ 2,636,777	\$ 1,044,979	\$ 8,167,938
Fund Balance, June 30, 2013	\$ 3,740,408	\$ 951,354	\$ 2,492,934	\$ 1,079,233	\$ 8,263,929

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

Exhibit C-4

Henry County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2013

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)		\$	95,991
(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	\$	1,600,587	
Less: current-year depreciation expense		<u>(1,994,615)</u>	(394,028)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.			
Less: proceeds received from the disposal of capital assets			(35,781)
(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, 2013	\$	608,247	
Less: deferred delinquent property taxes and other deferred June 30, 2012		<u>(570,652)</u>	37,595
(4) The issuance of long-term debt (e.g., notes, other loans, bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.			
Less: note proceeds	\$	(461,623)	
Less: refunding note proceeds		(1,250,000)	
Less: refunding bond proceeds		(6,145,000)	
Less: change in premium on debt issuances		(656,757)	
Add: change in deferred amount on refunding debt		136,704	
Add: principal payments on notes		522,035	
Add: principal payments on bonds		880,447	
Add: principal payments on other loans		483,100	
Add: debt principal refunded		<u>7,840,731</u>	1,349,637
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in accrued interest on notes and bonds	\$	43,892	
Change in accreted interest on bonds		(48,735)	
Change in compensated absences payable		(7,165)	
Change in other postemployment benefits liability		<u>(13,416)</u>	(25,424)
Change in net position of governmental activities (Exhibit B)			<u>\$ 1,027,990</u>

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

Exhibit C-5

Henry County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
					Original	Final	
Revenues							
Local Taxes	\$ 5,091,938	\$ 0	\$ 0	\$ 5,091,938	\$ 5,180,841	\$ 5,180,841	\$ (88,903)
Licenses and Permits	151,503	0	0	151,503	137,000	137,000	14,503
Fines, Forfeitures, and Penalties	207,930	0	0	207,930	241,003	251,761	(43,831)
Charges for Current Services	148,560	0	0	148,560	160,190	160,190	(11,630)
Other Local Revenues	702,779	0	0	702,779	604,498	721,726	(18,947)
Fees Received from County Officials	1,520,304	0	0	1,520,304	1,525,000	1,583,714	(63,410)
State of Tennessee	2,861,816	0	0	2,861,816	2,496,861	2,593,861	267,955
Federal Government	264,674	0	0	264,674	1,008,424	1,018,205	(753,531)
Other Governments and Citizens Groups	229,512	0	0	229,512	144,900	245,584	(16,072)
Total Revenues	\$ 11,179,016	\$ 0	\$ 0	\$ 11,179,016	\$ 11,498,717	\$ 11,892,882	\$ (713,866)
Expenditures							
General Government							
County Commission	\$ 35,982	\$ 0	\$ 0	\$ 35,982	\$ 38,450	\$ 38,450	\$ 2,468
Board of Equalization	400	0	0	400	1,000	1,000	600
Other Boards and Committees	3,925	0	0	3,925	5,000	5,000	1,075
County Mayor/Executive	200,869	0	0	200,869	204,800	204,800	3,931
County Attorney	19,765	0	593	20,358	20,358	20,358	0
Election Commission	156,582	(4,920)	0	151,662	157,419	157,419	5,757
Register of Deeds	159,806	0	0	159,806	174,496	174,496	14,690
Building	79,122	0	0	79,122	81,489	81,489	2,367
County Buildings	141,570	0	0	141,570	136,000	143,000	1,430
Other General Administration	155,256	(2,563)	0	152,693	158,000	159,734	7,041
Preservation of Records	10,415	0	0	10,415	10,500	10,500	85
Finance							
Accounting and Budgeting	92,051	(360)	0	91,691	93,600	93,600	1,909
Property Assessor's Office	208,473	0	0	208,473	212,434	212,434	3,961
Reappraisal Program	83,593	0	0	83,593	88,802	88,802	5,209
County Trustee's Office	190,790	0	0	190,790	194,772	194,772	3,982

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)		
					Original	Final			
	\$	222,457	\$	0	222,457	\$	224,527	\$	2,070
<u>Expenditures (Cont.)</u>									
<u>Finance (Cont.)</u>									
County Clerk's Office									
Administration of Justice									
Circuit Court	219,312	0	0	219,312	222,928		232,928		13,616
General Sessions Court	104,615	0	0	104,615	107,798		107,798		3,183
General Sessions Judge	178,826	0	5,027	183,853	194,600		194,600		10,747
Chancery Court	163,029	(934)	7,174	169,269	172,851		186,869		17,600
Juvenile Court	177,372	0	0	177,372	211,185		211,185		33,813
Probate Court	38,656	0	635	39,291	40,788		40,788		1,497
Other Administration of Justice	0	0	0	0	10,000		10,000		10,000
<u>Public Safety</u>									
Sheriff's Department	1,961,288	0	9,070	1,970,358	1,953,388		2,028,286		57,928
Special Patrols	80,028	0	0	80,028	94,000		94,000		13,972
Administration of the Sexual Offender Registry	2,186	0	0	2,186	2,200		2,200		14
Jail	1,274,538	(946)	889	1,274,481	1,288,458		1,308,016		33,535
Fire Prevention and Control	33,200	0	0	33,200	33,200		33,200		0
Rescue Squad	4,800	0	0	4,800	4,800		4,800		0
Other Emergency Management	124,155	(22,206)	22	101,971	107,108		112,024		10,053
County Coroner/Medical Examiner	53,881	(4,998)	5,820	54,703	51,200		61,200		6,497
<u>Public Health and Welfare</u>									
Local Health Center	93,555	0	0	93,555	106,017		111,017		17,462
Rabies and Animal Control	3,131	(633)	920	3,418	8,600		8,600		5,182
Maternal and Child Health Services	1,350	0	0	1,350	1,350		1,350		0
Alcohol and Drug Programs	8,875	0	0	8,875	15,540		15,540		6,665
Crippled Children Services	2,660	0	0	2,660	2,660		2,660		0
Other Local Health Services	16,700	0	0	16,700	20,700		20,700		4,000
<u>Social, Cultural, and Recreational Services</u>									
Adult Activities	110,679	0	0	110,679	120,946		120,946		10,267
Libraries	142,000	0	0	142,000	142,000		142,000		0

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Social, Cultural, and Recreational Services (Cont.)</u>							
Parks and Fair Boards	\$ 6,000	\$ 0	\$ 0	\$ 6,000	\$ 6,000	\$ 6,000	\$ 0
Other Social, Cultural, and Recreational	33,000	0	0	33,000	33,500	33,500	500
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	120,608	0	0	120,608	129,370	129,370	8,762
Soil Conservation	32,201	0	0	32,201	32,264	32,264	63
Flood Control	21,808	0	0	21,808	21,808	21,808	0
<u>Other Operations</u>							
Tourism	26,550	0	0	26,550	26,550	26,550	0
Tourism-Resort District	294,819	(23,938)	3,476	274,357	464,313	464,313	189,956
Industrial Development	55,000	0	0	55,000	55,000	55,000	0
Other Economic and Community Development	207,306	(187,375)	0	19,931	700,000	700,000	680,069
Airport	874,584	0	25,867	900,451	803,684	946,684	46,233
Veterans' Services	40,436	0	0	40,436	46,641	46,641	6,205
Other Charges	159,064	(1,056)	0	158,008	130,205	159,509	1,501
Contributions to Other Agencies	396,711	(70,636)	13,975	340,050	412,847	415,058	75,008
Employee Benefits	1,578,898	0	0	1,578,898	1,597,806	1,597,806	18,908
Miscellaneous	24,988	0	0	24,988	549,234	356,552	331,564
Total Expenditures	\$ 10,427,865	\$ (320,565)	\$ 73,468	\$ 10,180,768	\$ 11,723,186	\$ 11,852,143	\$ 1,671,375
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 751,151	\$ 320,565	\$ (73,468)	\$ 998,248	\$ (224,469)	\$ 40,739	\$ 957,509
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 0	\$ 0	\$ 0	\$ 0	\$ 100	\$ 100	\$ (100)
Transfers In	0	0	0	0	108,364	15,880	(15,880)
City General Fund Transfer	0	0	0	0	8,200	0	0
Transfers Out	(539,477)	0	0	(539,477)	0	(539,477)	0
Total Other Financing Sources	\$ (539,477)	\$ 0	\$ 0	\$ (539,477)	\$ 116,664	\$ (523,497)	\$ (15,980)

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Net Change in Fund Balance	\$ 211,674	\$ 320,565	\$ (73,468)	\$ 458,771	\$ (107,805)	\$ (482,758)	\$ 941,529
Fund Balance, July 1, 2012	3,528,734	(320,565)	0	3,208,169	3,528,734	3,528,734	(320,565)
Fund Balance, June 30, 2013	\$ 3,740,408	\$ 0	\$ (73,468)	\$ 3,666,940	\$ 3,420,929	\$ 3,045,976	\$ 620,964

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

Exhibit C-6

Henry County, Tennessee
 Statement of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 Highway/Public Works Fund
 For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Revenues						
Local Taxes	\$ 1,557,021	\$ 0	\$ 1,557,021	\$ 1,906,304	\$ 1,471,304	\$ 85,717
Other Local Revenues	150,210	0	150,210	35,200	52,253	97,957
State of Tennessee	2,213,937	0	2,213,937	2,647,600	2,647,600	(433,663)
Federal Government	5,226	0	5,226	0	0	5,226
Total Revenues	\$ 3,926,394	\$ 0	\$ 3,926,394	\$ 4,589,104	\$ 4,171,157	\$ (244,763)
Expenditures						
Highways						
Administration	\$ 283,401	\$ 0	\$ 283,401	\$ 286,485	\$ 286,485	\$ 3,084
Highway and Bridge Maintenance	1,242,222	0	1,242,222	1,615,889	1,615,989	373,767
Operation and Maintenance of Equipment	720,676	0	720,676	756,580	786,412	65,736
Quarry Operations	0	0	0	1,000	1,000	1,000
Litter and Trash Collection	51,999	0	51,999	51,700	51,999	0
Other Charges	231,032	0	231,032	234,388	245,888	14,856
Employee Benefits	564,837	0	564,837	599,037	599,037	34,200
Capital Outlay	1,107,829	(10,950)	1,096,879	1,816,369	1,625,787	528,908
Principal on Debt						
Highways and Streets	263,000	0	263,000	0	263,000	0
Interest on Debt						
Highways and Streets	5,771	0	5,771	0	5,771	0
Other Debt Service						
Highways and Streets	7,022	0	7,022	0	7,022	0
Total Expenditures	\$ 4,477,789	\$ (10,950)	\$ 4,466,839	\$ 5,361,448	\$ 5,488,390	\$ 1,021,551

(Continued)

Exhibit C-6

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Excess (Deficiency) of Revenues Over Expenditures	\$ (551,395) \$	10,950 \$	(540,445) \$	(772,344) \$	(1,317,233) \$	776,788
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 99,405 \$	0 \$	99,405 \$	0 \$	82,352 \$	17,053
Transfers In	445,896	0	445,896	5,000	440,000	5,896
Total Other Financing Sources	\$ 545,301 \$	0 \$	545,301 \$	5,000 \$	522,352 \$	22,949
Net Change in Fund Balance Fund Balance, July 1, 2012	\$ (6,094) \$	10,950 \$	4,856 \$	(767,344) \$	(794,881) \$	799,737
	957,448	(10,950)	946,498	850,000	850,000	96,498
Fund Balance, June 30, 2013	\$ 951,354 \$	0 \$	951,354 \$	82,656 \$	55,119 \$	896,235

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

Exhibit D

Henry County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2013

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,352,899
Equity in Pooled Cash and Investments	368,013
Accounts Receivable	4,988
Due from Other Governments	905,447
Property Taxes Receivable	3,655,572
Allowance for Uncollectible Property Taxes	(98,499)
Cash Shortage	<u>29,291</u>
Total Assets	<u><u>\$ 6,217,711</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 4,663,109
Due to Litigants, Heirs, and Others	1,386,135
Due to Joint Ventures	<u>168,467</u>
Total Liabilities	<u><u>\$ 6,217,711</u></u>

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

HENRY COUNTY, TENNESSEE

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HENRY COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

The Henry County School Department operates the county's public school system, and the voters of Henry County elect its board. The School Department is fiscally dependent on the county because it may not issue debt, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

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

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

The Henry County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Complete financial statements of the Henry County Medical Center and the Henry County Emergency Communications District can be obtained from their administrative offices at the following addresses:

Administrative Offices:

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

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

B. Government-wide and Fund Financial Statements

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

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

Henry County issues all debt for the discretely presented Henry County School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2013.

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

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

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

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

Fiduciary 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.

Henry County reports the following major governmental funds:

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

Highway/Public Works Fund – This 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, Henry County reports the following fund types:

Capital Projects Fund – The General Capital Projects Fund accounts for general capital expenditures of the county.

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

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

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

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

Special Revenue Funds – These funds account for 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.

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.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Henry County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service Fund. Henry County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. 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. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.43 percent of total taxes levied.

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 a deferred inflow of resources 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 as a deferred inflow of resources 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.

3. Capital Assets

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

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

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

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

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

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

4. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes and various receivables for revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

5. Compensated Absences

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

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

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

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 Position. Debt premiums and discounts are deferred and amortized over the life of the new debt using the straight-line method. Debt issuance costs are expensed in

the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

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

7. Net Position and Fund Balance

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

- a. Net investment in capital assets – 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 position – Consists of net position 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 position – All other net position that does not meet the definition of restricted or net investment in capital assets.

The government-wide Statement of Net Position reports \$1,625,162 of restricted net position for the primary government, of which \$218,316 is restricted by enabling legislation.

At June 30, 2013, Henry County had \$15,067,243 in outstanding debt for capital purposes for the discretely presented Henry County School Department. The debt is a liability of Henry County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Henry County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

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.

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 Commission has by resolution authorized the county's Budget Committee to make assignments for the general government. The Board of Education makes assignments for the School Department.

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. Restatement

Prior to July 1, 2012, debt issuance costs were deferred and amortized over the life of the debt; however, with the implementation of GASB Statement No. 65, debt issuance costs become period costs. An adjustment to beginning net position totaling \$208,184 has been recognized for accumulated debt issuance costs on the government-wide financial statements.

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 Position

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 Position.

Discretely Presented Henry County School Department

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

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

Primary Government

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

Discretely Presented Henry County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

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

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

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

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

At June 30, 2013, the Henry County School Department reported the following significant encumbrances:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
School Department:		
Major Fund:		
General Purpose School	Storm Safe Project	\$ 391,312

B. Cash Shortages – Prior Years

The audit of Henry County for the 2005-06 year reported a cash shortage of \$162,658 existed in the General (\$118,878), Drug Control (\$23,502), and General Capital Projects (\$20,278) funds as a result of irregularities in the Office of Sheriff. The former sheriff, former business manager, and former owner of Elite Firearms all pled guilty to various charges and received various sentences and fines. The three defendants have been ordered to pay restitution totaling \$71,512. This amount is net of estimated auction proceeds of items recovered from the former sheriff. The actual auction proceeds received during the 2008-09 year totaled \$12,205. During the 2012-13 fiscal year, restitution was received from the former sheriff totaling \$9,491. As of June 30, 2013, the cash shortage totaled \$64,361, which included the General (\$20,581), Drug Control (\$23,502), and General Capital Projects (\$20,278) funds.

The audit of Henry County for the 2011-12 year reported a cash shortage of \$29,291 existed in the Office of General Sessions Court Clerk. There was no restitution received during the 2012-13 fiscal year and the cash shortage remained \$29,291 in the Constitutional Officers - Agency Fund as of June 30, 2013. On August 28, 2013, the county received \$55,095 from its insurance provider to cover the amount of the cash shortage (\$29,291), and the cost of the audit (\$26,304) less the county's deductible (\$500). On September 4, 2013, the former deputy clerk pled no contest to theft and official misconduct and was ordered to pay restitution of \$500 for the county's remaining audit cost.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held.

Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

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

Investments

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

The county had no pooled or nonpooled investments as of June 30, 2013.

B. Capital Assets

Capital assets activity for the year ended June 30, 2013, was as follows:

Primary Government

Governmental Activities:

	Balance		Balance	
	7-1-12	Increases	Decreases	6-30-13
Capital Assets Not Depreciated:				
Land	\$ 5,164,075	\$ 25,000	\$ 0	\$ 5,189,075
Construction in Progress	1,478,622	33,915	(1,478,622)	33,915
Total Capital Assets Not Depreciated	<u>\$ 6,642,697</u>	<u>\$ 58,915</u>	<u>\$ (1,478,622)</u>	<u>\$ 5,222,990</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 9,187,028	\$ 304,422	\$ 0	\$ 9,491,450
Infrastructure	39,997,038	2,480,921	0	42,477,959
Other Capital Assets	4,108,673	234,951	(396,278)	3,947,346
Total Capital Assets Depreciated	<u>\$ 53,292,739</u>	<u>\$ 3,020,294</u>	<u>\$ (396,278)</u>	<u>\$ 55,916,755</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 4,621,484	\$ 332,709	\$ 0	\$ 4,954,193
Infrastructure	24,043,266	1,499,102	0	25,542,368
Other Capital Assets	3,500,541	162,804	(360,497)	3,302,848
Total Accumulated Depreciation	<u>\$ 32,165,291</u>	<u>\$ 1,994,615</u>	<u>\$ (360,497)</u>	<u>\$ 33,799,409</u>
Total Capital Assets Depreciated, Net	<u>\$ 21,127,448</u>	<u>\$ 1,025,679</u>	<u>\$ (35,781)</u>	<u>\$ 22,117,346</u>
Governmental Activities Capital Assets, Net	<u>\$ 27,770,145</u>	<u>\$ 1,084,594</u>	<u>\$ (1,514,403)</u>	<u>\$ 27,340,336</u>

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

Governmental Activities:

General Government	\$	47,480
Finance		3,492
Administration of Justice		650
Public Safety		251,918
Public Health and Welfare		59,741
Social, Cultural, and Recreational Services		2,094
Other Operations		175,241
Highways/Public Works		<u>1,453,999</u>
Total Depreciation Expense - Governmental Activities	\$	<u><u>1,994,615</u></u>

Discretely Presented Henry County School Department

Governmental Activities:

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Not Depreciated:				
Land	\$ 610,066	\$ 0	\$ 0	\$ 610,066
Construction in Progress	<u>0</u>	<u>1,321,578</u>	<u>0</u>	<u>1,321,578</u>
Total Capital Assets Not Depreciated	<u>\$ 610,066</u>	<u>\$ 1,321,578</u>	<u>\$ 0</u>	<u>\$ 1,931,644</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 47,491,754	\$ 309,327	\$ (358,193)	\$ 47,442,888
Other Capital Assets	<u>5,117,634</u>	<u>485,890</u>	<u>(308,974)</u>	<u>5,294,550</u>
Total Capital Assets Depreciated	<u>\$ 52,609,388</u>	<u>\$ 795,217</u>	<u>\$ (667,167)</u>	<u>\$ 52,737,438</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 24,819,694	\$ 1,651,022	\$ (358,193)	\$ 26,112,523
Other Capital Assets	<u>3,396,917</u>	<u>447,978</u>	<u>(308,974)</u>	<u>3,535,921</u>
Total Accumulated Depreciation	<u>\$ 28,216,611</u>	<u>\$ 2,099,000</u>	<u>\$ (667,167)</u>	<u>\$ 29,648,444</u>
Total Capital Assets Depreciated, Net	<u>\$ 24,392,777</u>	<u>\$ (1,303,783)</u>	<u>\$ 0</u>	<u>\$ 23,088,994</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 25,002,843</u></u>	<u><u>\$ 17,795</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 25,020,638</u></u>

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

Governmental Activities:

Instruction	\$ 1,627,429
Support Services	407,689
Operation of Non-Instructional Services	<u>63,882</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 2,099,000</u></u>

C. Construction Commitments

At June 30, 2013, the discretely presented General Purpose School Fund had uncompleted construction contracts of approximately \$391,312 for a storm safety project. Funding for these future expenditures is expected to be received from grant proceeds.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2013, was as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 10,203
Highway/Public Works	General	321,795
Discretely Presented School Department:		
General Purpose School	Nonmajor governmental	19,978

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, 2013, consisted of the following amounts:

Primary Government

Transfers Out	Transfers In	
	Highway/ Public Works Fund	General Debt Service Fund
General Fund	\$ 445,896	\$ 93,581
Nonmajor governmental fund	0	17,232
Total	<u>\$ 445,896</u>	<u>\$ 110,813</u>

Discretely Presented Henry County School Department

Transfer Out	Transfer In
	General Purpose School Fund
Nonmajor governmental fund	\$ 20,605

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

E. Long-term Obligations

Primary Government

General Obligation Bonds, Notes, and Other Loans

Henry County issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. In addition, general obligation bonds have been issued to refund other general obligation bonds. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 20 years for bonds, up to ten years for notes, and up to 19 years for other loans. Repayment terms are generally

structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in the long-term debt as of June 30, 2013, will be retired from the General Debt Service and Highway/Public Works funds.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2013, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-13
General Obligation Bonds	1.6 to 4.25%	5-1-26	\$ 2,500,000	\$ 2,365,000
General Obligation Bonds - Refunding	2 to 4	5-1-25	11,935,000	9,615,000
Capital Accretion Bonds	4.6 to 5.2	5-1-21	3,693,361	2,538,631
Other Loans	variable	5-25-18	5,800,000	1,854,200
Capital Outlay Notes	0 to 2	5-1-23	3,009,872	2,156,412

In prior years, Henry County entered into a loan agreement with the Montgomery County Public Building Authority. Under the loan agreement, the authority loaned \$3,000,000 to Henry County for various renovation and construction projects. The loan is repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with this loan. At June 30, 2013, the variable interest rate was .41 percent, and other fees totaled .72 percent of the outstanding loan principal.

In prior years, Henry County entered into a loan agreement with the Montgomery County Public Building Authority. Under the loan agreement, the authority loaned \$2,800,000 to Henry County for road improvements. The loan is repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with this loan. At June 30, 2013, the variable interest rate was .33 percent and other fees totaled .72 percent of the outstanding loan principal.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2013, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2014	\$ 885,341	\$ 603,484	\$ 1,488,825
2015	898,169	598,661	1,496,830
2016	1,168,040	585,350	1,753,390
2017	1,175,910	562,880	1,738,790
2018	951,633	781,782	1,733,415
2019-2023	5,609,538	3,202,247	8,811,785
2024-2026	3,830,000	250,070	4,080,070
Total	\$ 14,518,631	\$ 6,584,474	\$ 21,103,105

Year Ending June 30	Notes		
	Principal	Interest	Total
2014	\$ 376,412	\$ 22,400	\$ 398,812
2015	295,000	20,550	315,550
2016	295,000	18,800	313,800
2017	295,000	17,050	312,050
2018	295,000	15,300	310,300
2019-2023	600,000	34,100	634,100
Total	\$ 2,156,412	\$ 128,200	\$ 2,284,612

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2014	\$ 508,200	\$ 6,501	\$ 13,350	\$ 528,051
2015	535,000	4,638	9,691	549,329
2016	304,000	2,676	5,839	312,515
2017	319,000	1,673	3,650	324,323
2018	188,000	620	1,354	189,974
Total	\$ 1,854,200	\$ 16,108	\$ 33,884	\$ 1,904,192

There is \$2,492,934 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds, notes, and other loans totaled \$573, based on the 2010 federal census.

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2013, was as follows:

Governmental Activities:

	Bonds	Notes	Accreted Interest
Balance, July 1, 2012	\$ 15,854,078	\$ 2,207,555	\$ 2,118,951
Additions	6,145,000	1,711,623	248,288
Reductions	(7,480,447)	(1,762,766)	(199,553)
			0
Balance, June 30, 2013	<u>\$ 14,518,631</u>	<u>\$ 2,156,412</u>	<u>\$ 2,167,686</u>
Balance Due Within One Year	<u>\$ 885,341</u>	<u>\$ 376,412</u>	<u>\$ 214,659</u>

	Other Loans	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2012	\$ 2,337,300	\$ 328,475	\$ 52,652
Additions	0	332,571	16,871
Reductions	(483,100)	(325,406)	(3,455)
Balance, June 30, 2013	<u>\$ 1,854,200</u>	<u>\$ 335,640</u>	<u>\$ 66,068</u>
Balance Due Within One Year	<u>\$ 508,200</u>	<u>\$ 16,783</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	\$ 21,098,637
Less: Balance Due Within One Year	(2,001,395)
Add: Unamortized Premium on Debt	<u>669,018</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u><u>\$ 19,766,260</u></u>

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

Current Refundings

On January 2, 2013, Henry County issued \$1,250,000 in general obligation notes for a current refunding of the \$321,009 right-of-way and utility relocation note, \$16,000 solid waste bailer note, \$337,456 emergency services complex note, and \$566,266 energy efficiency projects note. As a result, the refunded notes are considered defeased, and the liabilities have been

removed from the county's long-term debt. Information regarding the comparison of future and prior debt service payments was not available.

On January 2, 2013, Henry County issued \$6,145,000 in rural school bonds for a current refunding of \$6,600,000 in School Rural Series 2003 bonds. As a result, the refunded bonds are considered defeased, and the liability has been removed from the county's long-term debt. Because of the refunding, total debt service payments over the next 12 years will be reduced by \$1,711,277, and an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$1,539,975 was obtained.

Discretely Presented Henry County School Department

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Henry County School Department for the year ended June 30, 2013, was as follows:

Governmental Activities:

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2012	\$ 72,858	\$ 1,530,054
Additions	54,618	512,237
Reductions	(57,884)	(276,330)
Balance, June 30, 2013	<u>\$ 69,592</u>	<u>\$ 1,765,961</u>
Balance Due Within One Year	<u>\$ 3,479</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	\$ 1,835,553
Less: Balance Due Within One Year	<u>(3,479)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 1,832,074</u>

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

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Henry County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2013, were \$147,580 and \$32,359, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. OTHER INFORMATION

A. Risk Management

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

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

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

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

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* became effective for the year ended June 30, 2013. Henry County early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

GASB Statement No. 60 provides accounting and financial reporting guidance related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The standard establishes criteria for determining whether a SCA exists, how to account for SCAs, and requires certain disclosures associated with a SCA.

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66 resolves conflicting guidance by removing the provision that limits fund based reporting of an entity's risk financing activities to the General Fund and the internal service fund type. Under Statement No. 66 decisions about fund type classifications are based on the nature of the activity to be reported as required by Statements No. 54 and No. 34. This statement also modifies guidance on operating lease payments, purchased loans, and servicing fees related to mortgage loans.

C. Subsequent Event

On September 27, 2013, Henry County issued capital outlay notes totaling \$155,199 for public works projects.

D. Contingent Liabilities

The Henry County Medical Center has entered into a loan agreement with the Montgomery County Public Building Authority. Under this loan agreement, the authority loaned \$16,500,000 to the medical center. The medical center has also issued capital outlay notes of \$6,000,000. The medical center has used the loan and note proceeds for construction, acquisition, and/or enlargement of its buildings, structures, and facilities. As of June 30, 2013, the medical center had \$11,836,000 outstanding on the loan, and \$5,083,010 outstanding on the capital outlay notes. Henry County would become liable for the repayment of the loan and notes in the event of default by the medical center.

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

E. Joint Ventures

The Twenty-fourth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twenty-fourth Judicial District; Benton, Carroll, Decatur, Hardin, and Henry counties; and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within the judicial district. Henry County made no contributions to the DTF for the year ended June 30, 2013, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

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

The W.G. Rhea Paris – Henry County Library is a regional library owned by Henry County and the City of Paris and operated by the W.G. Rhea Paris – Henry County Library Board. The board includes seven members, four appointed by the Henry County Commission and three appointed by the City of Paris. Henry County has control over budgeting and financing the joint venture only to the extent of representation by the four board members appointed and is responsible for funding 50 percent of any deficits from operations. Henry County contributed \$142,000 to the operations of the board during the year ended June 30, 2013. Complete financial statements for the W.G. Rhea Paris – Henry County Library can be obtained from the County Clerk’s Office or the library board’s administrative office at the following address:

Administrative Office:

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

The Carroll - Henry County Railroad Authority was jointly created in November 1988 by Carroll and Henry counties. The authority was established as a conduit for payment of funds between the Tennessee Department of Transportation and the Kentucky – West Tennessee Railroad Company to rehabilitate the railroad between the Kentucky stateline and Bruceton, Tennessee, including a line to Spinks, Tennessee. The authority

comprises four members. One member from each county is appointed by the County Commission, and each county mayor serves as a member and rotates every two years as chairman. Complete financial statements for the Carroll - Henry County Railroad Authority can be obtained from the Henry County Mayor's Office.

The Paris-Henry County Industrial Development Committee is a joint venture formed by an interlocal agreement between the city of Paris, Henry County, and the Paris-Henry County Chamber of Commerce. The purpose of the Industrial Development Committee is to provide for the planning, direction, and oversight of economic development for the City of Paris and Henry County. The committee is comprised of the director of economic development, the chief executive of the county or other designee, the mayor of Paris or other designee, one city commissioner, two county commissioners, the city manager of the City of Paris, and the current president of the chamber of commerce. Henry County contributed \$55,000 to the Industrial Development Committee for the year ended June 30, 2013, and does not have an equity interest in this joint venture. Complete financial statements for the Industrial Development Committee can be obtained from its administrative office at the following address:

Administrative Office:

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

F. Retirement Commitments

Plan Description

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

Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Henry County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

Henry County requires employees to contribute five percent of their earnable compensation to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2013, was 7.68 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

For the year ended June 30, 2013, Henry County's annual pension cost of \$2,469,934 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2011, 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 postretirement 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, 2011, was four years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year <u>Ended</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
6-30-13	\$2,469,934	100%	\$0
6-30-12	2,465,886	100	0
6-30-11	2,470,746	100	0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 94.62 percent funded. The actuarial accrued liability for benefits was \$77.82 million, and the actuarial value of assets was \$73.63 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$4.19 million. The covered payroll (annual payroll of active employees covered by the plan) was \$31.31 million, and the ratio of the UAAL to the covered payroll was 13.38 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 Henry County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided

to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2013, was 8.88 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, 2013, 2012, and 2011, were \$1,083,866, \$1,079,155, and \$1,079,967, respectively, equal to the required contributions for each year.

G. Other Postemployment Benefits (OPEB)

Plan Description

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

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. The School Department makes a contribution toward the health insurance premium of the group medical plan for all certified employees that meet length of employment criteria of ten years of service with the Henry County School System and a total of 25 years teaching experience. The School Department pays medical insurance in full for a single individual for a maximum of ten years or until Medicare becomes available. During the year ended June 30, 2013, the Henry County Highway Department and the discretely presented Henry County School Department contributed \$3,455 and \$276,330, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 516,000	\$ 17,000
Interest on the NOPEBO	61,202	2,106
Adjustment to the ARC	(64,965)	(2,235)
Annual OPEB cost	\$ 512,237	\$ 16,871
Less: Amount of contribution	(276,330)	(3,455)
Increase/decrease in NOPEBO	\$ 235,907	\$ 13,416
Net OPEB obligation, 7-1-12	1,530,054	52,652
Net OPEB obligation, 6-30-13	<u>\$ 1,765,961</u>	<u>\$ 66,068</u>

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-11	Local Education Group	\$ 471,552	60%	\$ 1,260,437
6-30-12	"	506,900	47	1,530,054
6-30-13	"	512,237	54	1,765,961
6-30-11	Local Government Group	23,053	29	39,017
6-30-12	"	16,904	19	52,652
6-30-13	"	16,871	20	66,068

Funded 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)	\$ 4,740,000	\$ 134,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 4,740,000	\$ 134,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 10,698,815	\$ 1,162,419
UAAL as a % of covered payroll	44%	12%

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

Actuarial Methods and Assumptions

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

In the July 1, 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 8.75 percent for fiscal year 2013. The trend will decrease to 8.25 percent in fiscal year 2014 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 July 1, 2007.

H. Purchasing Laws

Office of County Mayor

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

Office of County Road Supervisor

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

Office of Director of Schools

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

VI. OTHER NOTES – DISCRETELY PRESENTED HENRY COUNTY MEDICAL CENTER

A. Nature of Operations

1. Organization

The Henry County Medical Center is a political subdivision of Henry County, Tennessee. The medical center provides comprehensive healthcare services through the operation of an acute care hospital, nursing home (healthcare center), home health agency (HHA), and

emergency medical services agency (EMS). The medical center is governed by a Board of Trustees under the authority of the Henry County Commission and the Henry County Hospital District. The Henry County Commission appoints the Board of Trustees of the medical center, which may not issue debt without the county's approval. Under accounting principles generally accepted in the United States of America, the medical center constitutes a component unit of the county for financial reporting purposes.

2. Acquisition

On April 25, 2013, the medical center acquired certain assets of Eagle Creek Clinic for \$22,000. This amount was allocated entirely to property and equipment.

B. Summary of Significant Accounting Policies

1. Basis of Presentation

The medical center utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis, which is an economic resources measurement focus approach to accounting. In December 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. In June 2011, GASB issued Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*. GASB Statements No. 62 and 63 were effective for periods beginning after December 15, 2011. GASB Statement No. 62 makes the GASB *Accounting Standards Codification* the sole source of authoritative accounting technical literature for governmental entities in the United States of America.

2. Inventories

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

3. Assets Limited as to Use

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

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

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

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

At June 30, 2013, the total carrying value of the medical center’s cash, cash equivalents, and investments was \$17,969,543, and the bank balance was \$18,631,460. The entire financial institution balance as of June 30, 2013, was covered by federal depository insurance or by collateral held by the trustee in the medical center’s name.

A 50 percent interest in a joint venture that provides cancer care services in the Henry County area is included in long-term investments on the accompanying Statement of Net Position. This investment is accounted for under the equity method. The investment balance included in long-term investments is \$671,615 at June 30, 2013.

5. **Fair Value Measurements**

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, fair value accounting standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity including quoted market prices in active markets for identical assets (Level 1), or significant other observable inputs (Level 2) and the reporting entity’s own assumptions about market participant assumptions (Level 3). While a majority of the medical center’s assets whose use is limited and investments are cash equivalents, the medical center had approximately \$10,700,000 as of June 30, 2013, in

certificates of deposit that would be classified as Level 2 under the hierarchy above. The medical center does not have any fair value measurements using significant unobservable inputs (Level 3) as of June 30, 2013.

6. Property and Equipment

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

7. Goodwill and Other Intangible Assets

Goodwill represents the excess of cost over the fair value of net position acquired in business combinations recorded as purchases. The medical center evaluates goodwill and other intangible assets for impairment on an annual basis or more frequently if impairment indicators arise. In the event goodwill and other intangible assets are considered to be impaired, a charge to earnings would be recorded during the period in which management makes such an impairment assessment.

Other intangible assets consist of a certificate of need and non-compete agreements. The non-competes are amortized over their respective useful life on a straight-line basis.

8. Patient Service Revenue

The medical center has agreements with third-party payors that provide for payments to the medical center at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Patient service revenue is net of contractual adjustments and policy discounts of approximately \$130.4 million for the year ended June 30, 2013. For the year ended June 30, 2013, approximately 56 percent of net patient service revenue was from Medicare and approximately 11 percent was from Medicaid/TennCare.

The medical center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the medical center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. These costs are estimated based on the ratio of total costs to gross charges and amounted to approximately \$1,000,000 for the year ended June 30, 2013.

9. Operating Activities

The medical center defines operating activities as reported on the Statements of Revenue, Expenses and Changes in Net Position as those that generally result from exchange transactions, such as payments for providing services and payments for goods and services received. Non-exchange transactions, including investment income and interest expense, are considered non-operating revenue and expenses.

10. Costs of Borrowing

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

11. Pension Plan

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

12. Compensated Absences

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

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

13. Risk Management

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

14. Net Position

All resources that are not restricted by donors are included in unrestricted net position. Resources temporarily restricted by donors for specific purposes are reported as temporarily restricted net position. When specific purposes are achieved, either through passage of a stipulated time or the purpose for restriction is accomplished, they are classified as unrestricted net position and reported in the Statement of Revenues, Expenses, and Changes in Net Position. Resources temporarily restricted by donors for additions to land, buildings, and equipment are initially reported as temporarily restricted net position and are transferred to unrestricted net position when expended. Donor-imposed restrictions, which stipulate that the resources be maintained permanently, are reported as permanently restricted net position. Investment income for the permanently restricted net position is classified as either temporarily restricted or unrestricted based on the intent of the donor. At June 30, 2013, there were no permanently or temporarily restricted net position.

15. Income Taxes

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

16. Performance Indicator

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

17. Long-lived Assets

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

18. Adoption of New Accounting Pronouncements

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement amends accounting standards relating to the application of FASB Statements that do not contradict GASB pronouncements and incorporates into the GASB authoritative literature certain accounting and financial reporting guidance to bring all authoritative literature together in one place.

In June 2011, GASB issued Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and identifies net position as the residual of all other elements presented in a statement of financial position.

These amendments were effective for financial statements for fiscal years beginning after December 15, 2011. Therefore the medical center adopted these standards at the beginning of fiscal year 2013. The adoption of these accounting standards did not have a material impact on the medical center's financial statements.

19. New Accounting Pronouncements

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities and is effective for financial statements for fiscal years beginning after December 15, 2012. Therefore, the medical center expects to adopt these standards at the beginning of fiscal year 2014.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement relates to accounting and financial reporting for government combinations and disposals of government operations and is effective for financial statements for fiscal years beginning after December 15, 2013. Therefore, the medical center expects to adopt these standards at the beginning of fiscal year 2015.

In March 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement relates to accounting and financial reporting by state and local governments that extend and receive nonexchange financial

guarantees and is effective for financial statements for fiscal years beginning after June 15, 2013. Therefore, the medical center expects to adopt these standards at the beginning of fiscal year 2014.

The medical center is currently assessing the impact of adopting these accounting standards.

20. Use of Estimates

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

21. Events Occurring After Reporting Date

The medical center has evaluated events and transactions that occurred between June 30, 2013, and September 19, 2013, which is the date the medical center's financial statements were available to be issued for possible recognition or disclosure in the financial statements.

C. Third-party Reimbursement Programs

The medical center receives revenue under various third-party reimbursement programs, which include Medicare, TennCare, and other third-party payors. Contractual adjustments under third-party reimbursement programs represent the difference between the medical center's billings at its established rates and the amounts reimbursed by third-party payors. They also include any differences between estimated third-party reimbursement settlements for prior years and subsequent tentative or final settlements. The adjustments resulting from tentative or final settlements to estimated reimbursement amounts resulted in an increase to revenue of approximately \$54,000 for the year ended June 30, 2013.

1. Medicare

The medical center is paid for substantially all services rendered to inpatient Medicare program beneficiaries under prospectively determined rates-per-discharge. Those rates vary according to a classification system that is based on clinical, diagnostic, and other factors. The medical center is paid for outpatient, emergency medical services, and psychiatric services under a Medicare program known as the Ambulatory Payment Classification (APC) system. Under the APC system, outpatient services are classified into APC categories

based on standard procedure codes (CPT-4 Codes) for the service provided and payment for the APC categories are determined using prospectively determined federal payment rates adjusted for geographical area wage differences. The medical center receives cash payments at an interim rate with final settlement determined after the medical center's submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The medical center's classification of patients under the Medicare Prospective Payment System and the appropriateness of the patients' admissions are subject to validation reviews by the Medicare peer review organization.

2. Medicaid

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

3. TennCare

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

4. Commercial Payors

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

5. Credit Concentration

The medical center grants credit to patients and generally does not require collateral or other security in extending credit; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies. At June 30, 2013, the medical center had net receivables from the federal government (Medicare) of approximately \$3.1 million and from Medicaid/TennCare of approximately \$700,000.

6. Meaningful Use Payments from Medicare and Medicaid

The American Recovery and Reinvestment Act of 2009 established incentive payments under the Medicare and Medicaid programs for hospitals that implemented “meaningful use” certified electronic health record (EHR) technology. In order to receive incentive payments, a hospital, which is able to meet the meaningful use criteria must attest that during the EHR reporting period, the hospital used certified EHR technology and specify the technology used, satisfied the required meaningful use objectives and associated measures for the applicable stage, and must specify the EHR reporting period and provide the result of each applicable measure for all patients admitted to the inpatient or emergency department of the hospital during the EHR reporting period for which a selected measure is applicable. A hospital may receive an incentive payment for up to four years, provided it successfully demonstrates meaningful use of certified EHR technology for the EHR reporting period. Hospitals that adopt a certified EHR system and are meaningful users can begin receiving incentive payments in any federal fiscal year from 2011 (October 1, 2010 – September 30, 2011) to 2015; however, the incentive payments will decrease for hospitals that first start receiving payments in federal fiscal years 2014 or 2015.

The medical center met the meaningful use criteria during 2013. As a result, the medical center recognized income of approximately \$242,000 from Medicaid in 2013. There are no receivables related to meaningful use at June 30, 2013. The medical center expects to attest for Stage 2 Medicare meaningful use during 2014. The income is reported as other revenue on the accompanying Statements of Revenue, Expenses and Changes in Net Position.

D. Inventories

A summary of inventories as of June 30, 2013, was as follows:

Medical stores	\$ 118,309
Dietary	32,736
Departmental	<u>2,033,842</u>
Total	<u>\$ 2,184,887</u>

E. Property and Equipment

The major classifications and changes in property and equipment as of and for the year ended June 30, 2013, are as follows:

	Balance 7-1-12	Additions/ Transfers	Placed in Service/ Retirements	Balance 6-30-13
Land	\$ 892,250	\$ 0	\$ (40,817)	\$ 851,433
Land Improvements	1,244,196	350,453	0	1,594,649
Building and Improvements	56,025,784	2,936,787	0	58,962,571
Machinery and Equipment	32,774,227	5,674,576	(133,507)	38,315,296
Total	\$ 90,936,457	\$ 8,961,816	\$ (174,324)	\$ 99,723,949
Less Allowance for Depreciation and Amortization:				
Land Improvements	\$ (1,141,827)	\$ (21,149)	\$ 0	\$ (1,162,976)
Building and Improvements	(23,751,371)	(1,977,752)	0	(25,729,123)
Machinery and Equipment	(25,256,477)	(3,191,873)	173,586	(28,274,764)
Total	\$ (50,149,675)	\$ (5,190,774)	\$ 173,586	\$ (55,166,863)
Subtotal	\$ 40,786,782	\$ 3,771,042	\$ (738)	\$ 44,557,086
Construction in Progress	1,708,950	2,562,260	(3,941,302)	329,908
Total Capital Assets, Net	\$ 42,495,732	\$ 6,333,302	\$ (3,942,040)	\$ 44,886,994

The medical center is in the process of constructing various expansions and additions to the existing facilities. As of June 30, 2013, the total cost of these projects is expected to be approximately \$460,000. No interest costs were capitalized during the year ended June 30, 2013.

F. Other Intangible Assets

Other intangible assets include non-compete agreements with seven-year lives. The non-compete agreements have a balance of \$406,863, which is net of accumulated amortization of \$110,963 as of June 30, 2013. Amortization expense totaled \$73,975 in 2013. Future amortization expense of the net carrying amount of the non-compete agreements is \$73,975 per year.

G. Long-term Debt

A schedule of changes in the medical center's long-term debt as of and for the year ended June 30, 2013, is as follows:

	Balance 7-1-12	Additions	Reductions	Balance 6-30-13	Amounts Due Within One Year
Public Building Authority of the County of Montgomery, Tennessee - Series 2002	\$ 12,411,000	\$ 0	\$ (575,000)	\$ 11,836,000	\$ 604,000
General Obligation Hospital Revenue and Tax Capital Outlay Note - Series 2011	5,514,290	0	(431,280)	5,083,010	445,595
Public Building Authority of the City of Clarksville, TN - Series 2012	7,000,000	0	(398,000)	6,602,000	407,000
Other Debt	73,529	129,162	(108,481)	94,210	94,210
Total	\$ 24,998,819	\$ 129,162	\$ (1,512,761)	\$ 23,615,220	\$ 1,550,805

During June 2002, the medical center entered into an additional loan agreement with the Public Building Authority of the County of Montgomery, Tennessee, whereby, the authority agreed to loan the medical center up to \$16,500,000 for the construction, acquisition, and enlargement of its buildings, structures, and facilities. As of June 30, 2013, the medical center had outstanding borrowings of \$11,836,000 under this agreement. The loan agreement bears interest at an adjustable rate (.33 percent as of June 30, 2013) and is due in annual installments varying between \$604,000 and \$1,139,000 through May 25, 2027. The adjustable interest rate is adjusted daily as determined by the remarketing agent.

During April 2011, the medical center entered into a General Obligation Hospital Revenue and Tax Capital Outlay Note totaling \$6,000,000 secured by the general obligation of Henry County for the construction and enlargement of its buildings, structures, and facilities. As of June 30, 2013, the medical center had outstanding borrowings of \$5,083,010 under this obligation. The note bears interest at a fixed rate of 3.27 percent per annum, and is due in monthly installments of \$50,431 through April 1, 2023.

During January 2012, the medical center entered into a loan agreement with the Public Building Authority of the City of Clarksville, Tennessee, whereby the authority agreed to loan the medical center up to \$7,000,000 to provide funding to finance certain public works projects, including the acquisition of

the Kentucky Lake Surgery Center, LLC. As of June 30, 2013, the medical center had outstanding borrowings of \$6,602,000 under this obligation. The note bears interest at an adjustable rate (.77 percent as of June 30, 2013), and is due in annual installments varying between \$407,000 and \$543,000 through June 1, 2027. The adjustable interest rate is adjusted weekly as determined by the remarketing agent.

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

A summary of future maturities and interest of long-term debt, as of June 30, 2013, is as follows:

Year	Principal	Estimated Interest	Total Payments
2014	\$ 1,550,805	\$ 246,000	\$ 1,796,805
2015	1,512,000	226,000	1,738,000
2016	1,569,000	206,000	1,775,000
2017	1,627,000	185,000	1,812,000
2018	1,687,000	161,000	1,848,000
2019-2023	9,331,000	452,000	9,783,000
2024-2027	6,338,415	62,000	6,400,415
Total	\$ 23,615,220	\$ 1,538,000	\$ 25,153,220

H. Employee Benefit Plans

Pension Plan Description

Employees of Henry County, which includes Henry County Medical Center, a discretely presented component unit, are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service, or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after

five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Henry County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

I. Deferred Compensation Plans

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

During 2010, the medical center implemented a physician on-call pay plan whereas the medical center would make contributions to the plan on behalf of the physicians. Effective July 1, 2011, the deferred element of the physician on-call plan was terminated and participants are paid quarterly. The deferred compensation was paid to the respective physicians during 2012. The medical center still holds the life insurance policies and the underlying assets, which are invested in mutual funds and totaled approximately \$850,000 at June 30, 2013. These assets are included in other assets in the accompanying Statement of Net Position.

J. Commitments and Contingencies

1. Lease Commitments

The medical center leases various equipment under operating lease agreements. Rent expense was \$1,090,757 in 2013.

A summary of future minimum payments under these equipment leases as of June 30, 2013, is as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 822,000
2015	716,000
2016	445,000
2017	408,000
2018	383,000
2019 and later years	<u>1,019,000</u>
Total	<u>\$ 3,793,000</u>

2. **Insurance**

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

The medical center is self-insured for a portion of employee medical and other healthcare benefits and workers' compensation claims. The risk of loss retained by the medical center is limited to \$130,000 and \$350,000 per occurrence for employee health and workers' compensation, respectively. Beginning on July 1, 2013, the risk of loss related to workers' compensation increased to \$400,000. The medical center has purchased excess insurance to provide coverage for claims in excess of the self-insured retention. Contributions by the medical center for employee health are based on actuarial estimates, while contributions for workers' compensation are based on actual claims experience. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include a provision for estimated claims incurred but not reported. Reserves included within accrued expenses related to employee medical and other healthcare benefits totaled \$950,000 in 2013. Reserves included within accrued expenses related to workers' compensation claims totaled \$434,867 in 2013.

3. **Healthcare Industry**

The delivery of personal and health care services entails an inherent risk of liability. Participants in the health care services industry have

become subject to an increasing number of lawsuits alleging negligence or related legal theories, many of which involve large claims and result in the incurrence of significant exposure and defense costs. The company and its subsidiaries are insured with respect to medical malpractice risk on a claims-made basis. The company also maintains insurance for general liability, director and officer liability, and property. Certain policies are subject to deductibles. In addition to the insurance coverage provided, the company indemnifies certain officers and directors for actions taken on behalf of the company and its subsidiaries. Management is not aware of any claims against it or its subsidiaries, which would have a material financial impact.

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare fraud and abuse. Recently, government activity has increased with respect to investigations and/or allegations concerning possible violations of fraud and abuse statutes and/or regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as repayments for patient services previously billed. Management believes that the company is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations.

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

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

4. Healthcare Reform

In March 2010, Congress adopted comprehensive health care insurance legislation, the Patient Care Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively, the Health Care Reform Legislation). The Health Care Reform Legislation, among other matters, is designed to expand access to health care coverage to substantially all citizens through a combination of public program expansion and private industry health insurance. Provisions of the Health Care Reform Legislation become effective at various dates over the next several years, and a number of additional steps are required to implement these requirements. Due to the complexity of the Health Care Reform Legislation, reconciliation and implementation of the legislation continues to be under consideration by lawmakers, and it is not certain as to what changes may be made in the future regarding healthcare policies. Changes to existing Medicaid coverage and payments are also expected to occur as a result of this legislation. While the full impact of Health Care Reform Legislation is not yet fully known, changes to policies regarding reimbursement, universal health insurance and managed competition may materially impact the company's operations.

K. Functional Expenses

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

Healthcare services	\$ 47,054,051
General and administrative	<u>24,789,813</u>
Total	<u><u>\$ 71,843,864</u></u>

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

A. Nature of Activities and Summary of Significant Accounting Policies

1. Nature of Activities

The Henry County Emergency Communications District is a nonprofit organization, established under Tennessee law. The district was organized in 1989 to provide Emergency 911 service to the residents of Henry County. Although the district is considered a municipality under its enabling legislation, it cannot levy or collect taxes and the charges for services shall not be considered or classified as taxes. A volunteer board of directors, who are appointed by the district's primary government, manages the district. All Tennessee emergency

communications districts are required to follow the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts*, developed by the Office of the Comptroller of the Treasury, Division of Local Government Audit, pursuant to Section 7-86-304, *Tennessee Code Annotated*.

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

2. Basis of Accounting and Financial Statement Presentation

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

3. Use of Estimates

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

4. Accounts Receivable

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

5. Budgetary Policies

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

line item of expense; therefore, each line item must be amended prior to expending funds.

6. Cash and Cash Equivalents

For purposes of the statement of net position and the statement of cash flows, the district considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

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

7. Capital Assets

The district defines capital assets as assets with an initial cost of more than \$200 and an estimated useful life in excess of one year. Additions to capital assets are recorded at acquisition cost or estimated market value at the date of donation in the case of donated property. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from five to 40 years. Interest costs incurred on financing during the construction or installation period of capital assets are capitalized as part of the cost of the assets. For the year under review, there were no interest costs capitalized.

8. Net Position

Equity is classified as net position. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

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

9. Capital Assets

Capital assets activity during the year was as follows:

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Not Being Depreciated:				
Land	\$ 108,710	\$ 0	\$ 0	\$ 108,710
Construction in Progress	37,971	644,700	0	682,671
Total Capital Assets Not Being Depreciated	\$ 146,681	\$ 644,700	\$ 0	\$ 791,381
Capital Assets Being Depreciated:				
Buildings and Improvements	\$ 52,812	\$ 0	\$ 0	\$ 52,812
Furniture and Fixtures	63,716	0	(12,182)	51,534
Office Equipment	12,370	0	(3,721)	8,649
Communications Equipment	685,746	268,500	(579,747)	374,499
Vehicles	28,167	0	(28,167)	0
Total Capital Assets Being Depreciated:	\$ 842,811	\$ 268,500	\$ (623,817)	\$ 487,494
Less Accumulated Depreciation:				
Buildings and Improvements	\$ 451	\$ 1,354	\$ 0	\$ 1,805
Furniture and Fixtures	33,247	5,328	(11,928)	26,647
Office Equipment	8,329	1,476	(3,632)	6,173
Communications Equipment	572,611	24,219	(532,262)	64,568
Vehicles	23,793	2,817	(26,610)	0
Total Accumulated Depreciation	\$ 638,431	\$ 35,194	\$ (574,432)	\$ 99,193
Total Capital Assets Being Depreciated, Net	\$ 204,380	\$ 233,306	\$ (49,385)	\$ 388,301
Total Capital Assets, Net	\$ 351,061	\$ 878,006	\$ (49,385)	\$ 1,179,682

10. Income Taxes

The district is a tax-exempt organization under Section 115 of the Internal Revenue Code and, accordingly, no provision for federal income taxes has been made.

B. Deposits and Investments

The district has implemented Government Accounting Standards Board Statement No. 40, *Deposit and Investment Risk* disclosures for financial reporting of deposit risk.

Custodial Credit Risk – The district’s policies limit investments to those instruments allowed by applicable state laws. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105 percent of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the district’s agent in the district’s name, or by the Federal Reserve Banks acting as third-party agents. As of June 30, 2013, all bank deposits were fully collateralized or insured.

C. Major Revenue Source

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

D. Risk Management

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

E. Subsequent Events

The district has evaluated subsequent events through November 20, 2013, the date in which the district’s financial statement were available to be issued.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Henry County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Henry County School Department
June 30, 2013

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Frozen Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-11	\$ 73,630	\$ 77,820	4,190	94.62 %	\$ 31,312	13.38 %
7-1-09	59,383	60,707	1,324	97.82	30,498	4.34
7-1-07	54,541	56,193	1,652	97.06	27,436	6.02

Exhibit E-2

Henry County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Primary Government and Discretely Presented Henry County School Department
June 30, 2013

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (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	\$ 179	\$ 179	0%	\$ 1,234	15%
"	7-1-10	0	192	192	0	1,209	16
"	7-1-11	0	134	134	0	1,162	12
<u>DISCRETELY PRESENTED HENRY COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-09	0	4,871	4,871	0	10,461	47
"	7-1-10	0	4,900	4,900	0	10,505	47
"	7-1-11	0	4,740	4,740	0	10,699	44

HENRY COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2013

BUDGETARY INFORMATION

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in presenting the information for both municipal and county governments in Tennessee.

**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 Henry County’s garbage collection operations.

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

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

Capital Projects Fund

Capital Projects Funds are used to account for 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 general capital expenditures of the county.

Exhibit F-1

Henry County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2013

	Special Revenue Funds				Capital Projects Fund		Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total	General Capital Projects		
\$	0	0	10,203	10,203	0	0	10,203
Equity in Pooled Cash and Investments	259,060	135,622	0	394,682	612,290		1,006,972
Accounts Receivable	22,680	0	0	22,680	4,803		27,483
Property Taxes Receivable	293,286	0	0	293,286	0		293,286
Allowance for Uncollectible Property Taxes	(7,984)	0	0	(7,984)	0		(7,984)
Cash Shortage	0	23,502	0	23,502	20,278		43,780
Total Assets	\$ 567,042	\$ 159,124	\$ 10,203	\$ 736,369	\$ 637,371	\$	1,373,740
<u>LIABILITIES</u>							
Due to Other Funds	0	0	10,203	10,203	0	0	10,203
Total Liabilities	\$ 0	\$ 0	\$ 10,203	\$ 10,203	\$ 0	\$	10,203
<u>DEFERRED INFLOWS OF RESOURCES</u>							
Deferred Current Property Taxes	276,109	0	0	276,109	0	0	276,109
Deferred Delinquent Property Taxes	8,195	0	0	8,195	0	0	8,195
Total Deferred Inflows of Resources	\$ 284,304	\$ 0	\$ 0	\$ 284,304	\$ 0	\$	284,304
<u>FUND BALANCES</u>							
Restricted:							
Restricted for Public Safety	0	159,124	0	159,124	0	0	159,124
Restricted for Capital Outlay	0	0	0	0	637,371		637,371
Committed:							
Committed for Public Health and Welfare	282,738	0	0	282,738	0	0	282,738
Total Fund Balances	\$ 282,738	\$ 159,124	\$ 0	\$ 441,862	\$ 637,371	\$	1,079,233
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 567,042	\$ 159,124	\$ 10,203	\$ 736,369	\$ 637,371	\$	1,373,740

Exhibit F-2

Henry County, Tennessee
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2013

	Special Revenue Funds				Capital Projects Fund		Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total	General Capital Projects		
Revenues							
Local Taxes	\$ 298,444	\$ 0	\$ 0	\$ 298,444	\$ 0	\$ 0	\$ 298,444
Fines, Forfeitures, and Penalties	0	20,529	0	20,529	0	0	20,529
Charges for Current Services	0	0	6,933	6,933	0	0	6,933
Other Local Revenues	191,332	22,130	0	213,462	803	0	214,265
State of Tennessee	4,514	0	0	4,514	0	0	4,514
Federal Government	0	0	0	0	175,000	0	175,000
Other Governments and Citizens Groups	0	3,395	0	3,395	4,000	0	7,395
Total Revenues	\$ 494,290	\$ 46,054	\$ 6,933	\$ 547,277	\$ 179,803	\$ 0	\$ 727,080
Expenditures							
Current:							
Administration of Justice	\$ 0	\$ 0	\$ 6,933	\$ 6,933	\$ 0	\$ 0	\$ 6,933
Public Safety	0	82,335	0	82,335	0	0	82,335
Public Health and Welfare	567,104	0	0	567,104	0	0	567,104
Other Operations	7,344	0	0	7,344	0	0	7,344
Debt Service:							
Other Debt Service	0	0	0	0	5,587	0	5,587
Capital Projects	0	0	0	0	474,964	0	474,964
Total Expenditures	\$ 574,448	\$ 82,335	\$ 6,933	\$ 663,716	\$ 480,551	\$ 0	\$ 1,144,267
Excess (Deficiency) of Revenues Over Expenditures	\$ (80,158)	\$ (36,281)	\$ 0	\$ (116,439)	\$ (300,748)	\$ 0	\$ (417,187)
Other Financing Sources (Uses)							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 461,623	\$ 0	\$ 461,623
Premiums on Debt Issued	0	0	0	0	7,050	0	7,050
Transfers Out	(17,232)	0	0	(17,232)	0	0	(17,232)
Total Other Financing Sources (Uses)	\$ (17,232)	\$ 0	\$ 0	\$ (17,232)	\$ 468,673	\$ 0	\$ 451,441
Net Change in Fund Balances	\$ (97,390)	\$ (36,281)	\$ 0	\$ (133,671)	\$ 167,925	\$ 0	\$ 34,254
Fund Balance, July 1, 2012	380,128	195,405	0	575,533	469,446	0	1,044,979
Fund Balance, June 30, 2013	\$ 282,738	\$ 159,124	\$ 0	\$ 441,862	\$ 637,371	\$ 0	\$ 1,079,233

Exhibit F-3

Henry County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 298,444	\$ 0	\$ 298,444	\$ 298,575	\$ 298,575	\$ (131)
Other Local Revenues	191,332	0	191,332	203,600	203,600	(12,268)
State of Tennessee	4,514	0	4,514	0	0	4,514
Total Revenues	\$ 494,290	\$ 0	\$ 494,290	\$ 502,175	\$ 502,175	\$ (7,885)
<u>Expenditures</u>						
Public Health and Welfare						
Sanitation Management	\$ 45,055	\$ 0	\$ 45,055	\$ 48,164	\$ 47,864	\$ 2,809
Recycling Center	464,124	(1,413)	462,711	465,098	479,013	16,302
Landfill Operation and Maintenance	57,925	0	57,925	73,792	73,792	15,867
<u>Other Operations</u>						
Other Charges	7,344	0	7,344	7,000	7,345	1
Miscellaneous	0	0	0	17,232	0	0
Total Expenditures	\$ 574,448	\$ (1,413)	\$ 573,035	\$ 611,286	\$ 608,014	\$ 34,979
Excess (Deficiency) of Revenues Over Expenditures	\$ (80,158)	\$ 1,413	\$ (78,745)	\$ (109,111)	\$ (105,839)	\$ 27,094
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ (17,232)	\$ 0	\$ (17,232)	\$ 0	\$ (17,232)	\$ 0
Total Other Financing Sources	\$ (17,232)	\$ 0	\$ (17,232)	\$ 0	\$ (17,232)	\$ 0
Net Change in Fund Balance Fund Balance, July 1, 2012	\$ (97,390)	\$ 1,413	\$ (95,977)	\$ (109,111)	\$ (123,071)	\$ 27,094
Fund Balance, June 30, 2013	\$ 380,128	\$ (1,413)	\$ 378,715	\$ 389,564	\$ 389,564	\$ (10,849)
Fund Balance, June 30, 2013	\$ 282,738	\$ 0	\$ 282,738	\$ 280,453	\$ 266,493	\$ 16,245

Exhibit F-4

Henry County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Drug Control Fund
For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 20,529	\$ 0	\$ 20,529	\$ 34,500	\$ 35,692	\$ (15,163)
Other Local Revenues	22,130	0	22,130	30,000	32,475	(10,345)
Other Governments and Citizens Groups	3,395	0	3,395	0	3,395	0
Total Revenues	\$ 46,054	\$ 0	\$ 46,054	\$ 64,500	\$ 71,562	\$ (25,508)
<u>Expenditures</u>						
<u>Public Safety</u>						
Drug Enforcement	\$ 82,335	(1,415)	\$ 80,920	\$ 64,431	\$ 91,810	\$ 10,890
Total Expenditures	\$ 82,335	(1,415)	\$ 80,920	\$ 64,431	\$ 91,810	\$ 10,890
Excess (Deficiency) of Revenues Over Expenditures	\$ (36,281)	\$ 1,415	\$ (34,866)	\$ 69	\$ (20,248)	\$ (14,618)
<u>Other Financing Sources (Uses)</u>						
City General Fund Transfer	\$ 0	\$ 0	\$ 0	\$ 3,500	\$ 105	\$ (105)
Total Other Financing Sources	\$ 0	\$ 0	\$ 0	\$ 3,500	\$ 105	\$ (105)
Net Change in Fund Balance Fund Balance, July 1, 2012	\$ (36,281)	\$ 1,415	\$ (34,866)	\$ 3,569	\$ (20,143)	\$ (14,723)
	195,405	(1,415)	193,990	20,143	20,143	173,847
Fund Balance, June 30, 2013	\$ 159,124	\$ 0	\$ 159,124	\$ 23,712	\$ 0	\$ 159,124

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

Henry County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 319,944	\$ 295,297	\$ 295,297	\$ 24,647
Other Local Revenues	157,888	146,429	149,903	7,985
Other Governments and Citizens Groups	1,645,665	0	1,645,665	0
Total Revenues	\$ 2,123,497	\$ 441,726	\$ 2,090,865	\$ 32,632
<u>Expenditures</u>				
<u>Other Operations</u>				
Other Charges	\$ 7,647	\$ 12,500	\$ 12,500	\$ 4,853
<u>Principal on Debt</u>				
General Government	450,625	424,633	450,625	0
Education	1,171,957	1,171,958	1,171,958	1
<u>Interest on Debt</u>				
General Government	47,122	51,738	50,446	3,324
Education	647,833	741,803	692,844	45,011
<u>Other Debt Service</u>				
General Government	23,278	1,000	23,496	218
Education	134,965	6,000	135,092	127
Total Expenditures	\$ 2,483,427	\$ 2,409,632	\$ 2,536,961	\$ 53,534
Excess (Deficiency) of Revenues Over Expenditures	\$ (359,930)	\$ (1,967,906)	\$ (446,096)	\$ 86,166
<u>Other Financing Sources (Uses)</u>				
Refunding Debt Issued	\$ 7,395,000	\$ 0	\$ 7,395,000	\$ 0
Premiums on Debt Issued	708,108	0	708,108	0
Transfers In	110,813	1,730,893	103,809	7,004
Payments to Refunded Debt Escrow Agent	(7,997,834)	0	(7,997,834)	0
Total Other Financing Sources	\$ 216,087	\$ 1,730,893	\$ 209,083	\$ 7,004
Net Change in Fund Balance	\$ (143,843)	\$ (237,013)	\$ (237,013)	\$ 93,170
Fund Balance, July 1, 2012	2,636,777	2,741,744	2,741,744	(104,967)
Fund Balance, June 30, 2013	\$ 2,492,934	\$ 2,504,731	\$ 2,504,731	\$ (11,797)

Fiduciary Funds

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

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

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

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

Constitutional Officers - Agency Fund – The Constitutional Officers - Agency Fund is used to account for amounts collected in an agency capacity by the county clerk; circuit, 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.

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

Exhibit H-1

Henry County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
For the Year Ended June 30, 2013

	Agency Funds					Total
	Cities - Sales Tax	Watershed District	Special School District	Constitu- tional Officers - Agency	Judicial District Drug	
Cash	\$ 0	\$ 0	\$ 0	\$ 1,351,856	\$ 1,043	\$ 1,352,899
Equity in Pooled Cash and Investments	0	1,606	198,983	0	167,424	368,013
Accounts Receivable	0	0	0	4,988	0	4,988
Due from Other Governments	597,229	0	308,218	0	0	905,447
Property Taxes Receivable	0	0	3,655,572	0	0	3,655,572
Allowance for Uncollectible Property Taxes	0	0	(98,499)	0	0	(98,499)
Cash Shortage	0	0	0	29,291	0	29,291
Total Assets	\$ 597,229	\$ 1,606	\$ 4,064,274	\$ 1,386,135	\$ 168,467	\$ 6,217,711
Due to Other Taxing Units	\$ 597,229	\$ 1,606	\$ 4,064,274	\$ 0	\$ 0	\$ 4,663,109
Due to Litigants, Heirs, and Others	0	0	0	1,386,135	0	1,386,135
Due to Joint Ventures	0	0	0	0	168,467	168,467
Total Liabilities	\$ 597,229	\$ 1,606	\$ 4,064,274	\$ 1,386,135	\$ 168,467	\$ 6,217,711

ASSETS

LIABILITIES

Exhibit H-2

Henry County, Tennessee
Combining Statement of Changes in Assets
and Liabilities - All Agency Funds
For the Year Ended June 30, 2013

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 2,855,228	\$ 2,855,228	\$ 0
Due from Other Governments	602,572	597,229	602,572	597,229
Total Assets	\$ 602,572	\$ 3,452,457	\$ 3,457,800	\$ 597,229
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 602,572	\$ 3,452,457	\$ 3,457,800	\$ 597,229
Total Liabilities	\$ 602,572	\$ 3,452,457	\$ 3,457,800	\$ 597,229
<u>Watershed District Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 1,606	\$ 0	\$ 0	\$ 1,606
Total Assets	\$ 1,606	\$ 0	\$ 0	\$ 1,606
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,606	\$ 0	\$ 0	\$ 1,606
Total Liabilities	\$ 1,606	\$ 0	\$ 0	\$ 1,606
<u>Special School District Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 194,790	\$ 1,215,736	\$ 1,211,543	\$ 198,983
Due from Other Governments	300,078	308,218	300,078	308,218
Property Taxes Receivable	3,619,985	3,655,572	3,619,985	3,655,572
Allowance for Uncollectible Property Taxes	(86,820)	(98,499)	(86,820)	(98,499)
Total Assets	\$ 4,028,033	\$ 5,081,027	\$ 5,044,786	\$ 4,064,274
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 4,028,033	\$ 5,081,027	\$ 5,044,786	\$ 4,064,274
Total Liabilities	\$ 4,028,033	\$ 5,081,027	\$ 5,044,786	\$ 4,064,274

(Continued)

Exhibit H-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,148,966	\$ 7,275,233	\$ 7,072,343	\$ 1,351,856
Accounts Receivable	4,649	4,988	4,649	4,988
Cash Shortage	29,291	0	0	29,291
Total Assets	\$ 1,182,906	\$ 7,280,221	\$ 7,076,992	\$ 1,386,135
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,182,906	\$ 7,280,221	\$ 7,076,992	\$ 1,386,135
Total Liabilities	\$ 1,182,906	\$ 7,280,221	\$ 7,076,992	\$ 1,386,135
<u>Judicial District Drug Fund</u>				
<u>Assets</u>				
Cash	\$ 1,392	\$ 1,043	\$ 1,392	\$ 1,043
Equity in Pooled Cash and Investments	286,445	276,858	395,879	167,424
Total Assets	\$ 287,837	\$ 277,901	\$ 397,271	\$ 168,467
<u>Liabilities</u>				
Due to Joint Ventures	\$ 287,837	\$ 277,901	\$ 397,271	\$ 168,467
Total Liabilities	\$ 287,837	\$ 277,901	\$ 397,271	\$ 168,467
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,150,358	\$ 7,276,276	\$ 7,073,735	\$ 1,352,899
Equity in Pooled Cash and Investments	482,841	4,347,822	4,462,650	368,013
Accounts Receivable	4,649	4,988	4,649	4,988
Due from Other Governments	902,650	905,447	902,650	905,447
Property Taxes Receivable	3,619,985	3,655,572	3,619,985	3,655,572
Allowance for Uncollectible Property Taxes	(86,820)	(98,499)	(86,820)	(98,499)
Cash Shortage	29,291	0	0	29,291
Total Assets	\$ 6,102,954	\$ 16,091,606	\$ 15,976,849	\$ 6,217,711
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 4,632,211	\$ 8,533,484	\$ 8,502,586	\$ 4,663,109
Due to Litigants, Heirs, and Others	1,182,906	7,280,221	7,076,992	1,386,135
Due to Joint Ventures	287,837	277,901	397,271	168,467
Total Liabilities	\$ 6,102,954	\$ 16,091,606	\$ 15,976,849	\$ 6,217,711

Henry County School Department

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

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

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

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

Exhibit I-1

Henry County, Tennessee
Statement of Activities
Discretely Presented Henry County School Department
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 17,574,957	\$ 0	\$ 2,675,544	\$ (14,899,413)
Support Services	8,778,671	65,525	604,315	(8,108,831)
Operation of Non-Instructional Services	2,717,989	616,430	1,697,717	(403,842)
Interest on Long-term Debt	1,645,665	0	0	(1,645,665)
Total Governmental Activities	\$ 30,717,282	\$ 681,955	\$ 4,977,576	\$ (25,057,751)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 4,746,346
Local Option Sales Taxes				2,645,441
Business Tax				134,792
Other Local Taxes				1,891
Grants and Contributions Not Restricted to Specific Programs				16,787,759
Miscellaneous				123,038
Gain on Disposal of Capital Assets				225,000
Total General Revenues				\$ 24,664,267
Change in Net Position				\$ (393,484)
Net Position, July 1, 2012				29,374,438
Net Position, June 30, 2013				\$ 28,980,954

Exhibit I-2

Henry County, Tennessee
 Balance Sheet - Governmental Funds
 Discretely Presented Henry County School Department
 June 30, 2013

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 3,687,435	\$ 615,176	\$ 4,302,611
Due from Other Governments	1,770,356	132,907	1,903,263
Due from Other Funds	19,978	0	19,978
Property Taxes Receivable	4,888,337	0	4,888,337
Allowance for Uncollectible Property Taxes	(133,442)	0	(133,442)
Total Assets	<u>\$ 10,232,664</u>	<u>\$ 748,083</u>	<u>\$ 10,980,747</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 186,992	\$ 129	\$ 187,121
Accrued Payroll	2,022	0	2,022
Contracts Payable	375,016	0	375,016
Due to Other Funds	0	19,978	19,978
Total Liabilities	<u>\$ 564,030</u>	<u>\$ 20,107</u>	<u>\$ 584,137</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 4,600,741	\$ 0	\$ 4,600,741
Deferred Delinquent Property Taxes	137,541	0	137,541
Other Deferred/Unavailable Revenue	1,226,065	0	1,226,065
Total Deferred Inflows of Resources	<u>\$ 5,964,347</u>	<u>\$ 0</u>	<u>\$ 5,964,347</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 371,348	\$ 1,169	\$ 372,517
Restricted for Operation of Non-Instructional Services	0	576,807	576,807
Assigned:			
Assigned for Education	0	150,000	150,000
Assigned for Capital Projects	766,776	0	766,776
Unassigned	2,566,163	0	2,566,163
Total Fund Balances	<u>\$ 3,704,287</u>	<u>\$ 727,976</u>	<u>\$ 4,432,263</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 10,232,664</u>	<u>\$ 748,083</u>	<u>\$ 10,980,747</u>

Exhibit I-3

Henry County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
Discretely Presented Henry County School Department
June 30, 2013

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$	4,432,263
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	610,066	
Add: construction in progress		1,321,578	
Add: buildings and improvements net of accumulated depreciation		21,330,365	
Add: other capital assets net of accumulated depreciation		<u>1,758,629</u>	25,020,638
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: compensated absences payable	\$	(69,592)	
Less: other postemployment benefits liability		<u>(1,765,961)</u>	(1,835,553)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>1,363,606</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>28,980,954</u></u>

Exhibit I-4

Henry County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Henry County School Department
For the Year Ended June 30, 2013

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General	Other	
	Purpose	Govern-	Total
	School	mental	Governmental
		Funds	Funds
<u>Revenues</u>			
Local Taxes	\$ 7,631,372	\$ 0	\$ 7,631,372
Licenses and Permits	1,915	0	1,915
Charges for Current Services	64,966	616,055	681,021
Other Local Revenues	188,451	737	189,188
State of Tennessee	16,832,805	17,532	16,850,337
Federal Government	390,037	3,392,007	3,782,044
Total Revenues	<u>\$ 25,109,546</u>	<u>\$ 4,026,331</u>	<u>\$ 29,135,877</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 13,959,074	\$ 1,646,731	\$ 15,605,805
Support Services	8,704,647	408,149	9,112,796
Operation of Non-Instructional Services	655,815	1,990,368	2,646,183
Capital Outlay	1,575,723	0	1,575,723
Debt Service:			
Other Debt Service	1,645,665	0	1,645,665
Total Expenditures	<u>\$ 26,540,924</u>	<u>\$ 4,045,248</u>	<u>\$ 30,586,172</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>\$ (1,431,378)</u>	<u>\$ (18,917)</u>	<u>\$ (1,450,295)</u>
<u>Other Financing Sources (Uses)</u>			
Proceeds from Sale of Capital Assets	\$ 225,000	\$ 0	\$ 225,000
Insurance Recovery	83,736	0	83,736
Transfers In	20,605	0	20,605
Transfers Out	0	(20,605)	(20,605)
Total Other Financing Sources (Uses)	<u>\$ 329,341</u>	<u>\$ (20,605)</u>	<u>\$ 308,736</u>
Net Change in Fund Balances	<u>\$ (1,102,037)</u>	<u>\$ (39,522)</u>	<u>\$ (1,141,559)</u>
Fund Balance, July 1, 2012	4,806,324	767,498	5,573,822
Fund Balance, June 30, 2013	<u>\$ 3,704,287</u>	<u>\$ 727,976</u>	<u>\$ 4,432,263</u>

Exhibit I-5

Henry County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Henry County School Department
For the Year Ended June 30, 2013

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)		\$ (1,141,559)
(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	\$ 2,116,795	
Less: current-year depreciation expense	<u>(2,099,000)</u>	17,795
(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, 2013	\$ 1,363,606	
Less: deferred delinquent property taxes and other deferred June 30, 2012	<u>(400,685)</u>	962,921
(3) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in compensated absences payable	\$ 3,266	
Change in other postemployment benefits liability	<u>(235,907)</u>	<u>(232,641)</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ (393,484)</u>

Exhibit I-6

Henry County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Henry County School Department
June 30, 2013

	<u>Special Revenue Funds</u>		Total
	School	Central	Nonmajor
	Federal	Cafeteria	Governmental
	Projects		Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 132,938	\$ 482,238	\$ 615,176
Due from Other Governments	38,338	94,569	132,907
Total Assets	<u>\$ 171,276</u>	<u>\$ 576,807</u>	<u>\$ 748,083</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 129	\$ 0	\$ 129
Due to Other Funds	19,978	0	19,978
Total Liabilities	<u>\$ 20,107</u>	<u>\$ 0</u>	<u>\$ 20,107</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 1,169	\$ 0	\$ 1,169
Restricted for Operation of Non-Instructional Services	0	576,807	576,807
Assigned:			
Assigned for Education	150,000	0	150,000
Total Fund Balances	<u>\$ 151,169</u>	<u>\$ 576,807</u>	<u>\$ 727,976</u>
Total Liabilities and Fund Balances	<u>\$ 171,276</u>	<u>\$ 576,807</u>	<u>\$ 748,083</u>

Exhibit I-7

Henry County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Henry County School Department
For the Year Ended June 30, 2013

	Special Revenue Funds		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 616,055	\$ 616,055
Other Local Revenues	0	737	737
State of Tennessee	0	17,532	17,532
Federal Government	2,074,536	1,317,471	3,392,007
Total Revenues	<u>\$ 2,074,536</u>	<u>\$ 1,951,795</u>	<u>\$ 4,026,331</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,646,731	\$ 0	\$ 1,646,731
Support Services	408,149	0	408,149
Operation of Non-Instructional Services	0	1,990,368	1,990,368
Total Expenditures	<u>\$ 2,054,880</u>	<u>\$ 1,990,368</u>	<u>\$ 4,045,248</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 19,656</u>	<u>\$ (38,573)</u>	<u>\$ (18,917)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (20,605)	\$ 0	\$ (20,605)
Total Other Financing Sources (Uses)	<u>\$ (20,605)</u>	<u>\$ 0</u>	<u>\$ (20,605)</u>
Net Change in Fund Balances	\$ (949)	\$ (38,573)	\$ (39,522)
Fund Balance, July 1, 2012	152,118	615,380	767,498
Fund Balance, June 30, 2013	<u>\$ 151,169</u>	<u>\$ 576,807</u>	<u>\$ 727,976</u>

Exhibit I-8

Henry County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 Discretely Presented Henry County School Department
 General Purpose School Fund
 For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Local Taxes	\$ 7,631,372	\$ 0	\$ 0	\$ 7,631,372	\$ 7,625,404	\$ 7,625,404	\$ 5,968
Licenses and Permits	1,915	0	0	1,915	1,500	1,500	415
Charges for Current Services	64,966	0	0	64,966	79,598	81,798	(16,832)
Other Local Revenues	188,451	0	0	188,451	98,048	135,779	52,672
State of Tennessee	16,832,805	0	0	16,832,805	16,631,852	17,091,942	(259,137)
Federal Government	390,037	0	0	390,037	451,000	1,654,516	(1,264,479)
Total Revenues	\$ 25,109,546	\$ 0	\$ 0	\$ 25,109,546	\$ 24,887,402	\$ 26,590,939	\$ (1,481,393)
Expenditures							
Instruction							
Regular Instruction Program	\$ 11,295,236	\$ (122,775)	\$ 0	\$ 11,172,461	\$ 11,409,964	\$ 11,519,503	\$ 347,042
Alternative Instruction Program	137,412	(1,617)	0	135,795	188,940	184,930	49,135
Special Education Program	1,545,744	0	0	1,545,744	1,563,899	1,557,624	11,880
Vocational Education Program	848,399	(2,370)	0	846,029	869,921	866,996	20,967
Adult Education Program	132,283	0	0	132,283	222,963	135,811	3,528
Support Services							
Attendance	165,605	0	0	165,605	166,807	169,378	3,773
Health Services	385,092	0	0	385,092	386,913	388,809	3,717
Other Student Support	588,563	0	0	588,563	617,279	615,949	27,386
Regular Instruction Program	930,831	0	0	930,831	1,028,912	1,012,637	81,806
Alternative Instruction Program	89,155	0	0	89,155	91,646	93,449	4,294
Special Education Program	123,364	0	0	123,364	122,356	123,943	579
Vocational Education Program	62,479	0	0	62,479	58,088	67,712	5,233
Other Programs	179,939	0	0	179,939	0	179,939	0
Board of Education	488,006	0	0	488,006	514,016	535,316	47,310
Director of Schools	252,925	(3,416)	0	249,509	261,488	263,903	14,394
Office of the Principal	1,241,808	(150)	0	1,241,658	1,236,841	1,250,396	8,738
Fiscal Services	178,461	0	0	178,461	167,614	179,263	802

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Operation of Plant	\$ 1,459,247	\$ 0	\$ 0	\$ 1,459,247	\$ 1,637,824	\$ 1,637,824	\$ 178,577
Maintenance of Plant	654,688	(110,712)	0	543,976	591,138	592,642	48,666
Transportation	1,904,484	(86,933)	0	1,817,551	1,825,166	1,881,957	64,406
<u>Operation of Non-Instructional Services</u>							
Community Services	359,619	(2,098)	0	357,521	444,241	485,553	128,032
Early Childhood Education	296,196	0	0	296,196	312,333	306,925	10,729
<u>Capital Outlay</u>							
Regular Capital Outlay	1,575,723	0	391,312	1,967,035	200,000	1,967,035	0
Principal on Debt							
Education	0	0	0	0	1,007,965	1	1
Interest on Debt							
Education	0	0	0	0	680,697	42,996	42,996
<u>Other Debt Service</u>							
Education	1,645,665	0	0	1,645,665	0	1,645,665	0
<u>Total Expenditures</u>	\$ 26,540,924	\$ (330,071)	\$ 391,312	\$ 26,602,165	\$ 25,607,011	\$ 27,706,156	\$ 1,103,991
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ (1,431,378)	\$ 330,071	\$ (391,312)	\$ (1,492,619)	\$ (719,609)	\$ (1,115,217)	\$ (377,402)
<u>Other Financing Sources (Uses)</u>							
Proceeds from Sale of Capital Assets	\$ 225,000	\$ 0	\$ 0	\$ 225,000	\$ 0	\$ 0	\$ 225,000
Insurance Recovery	83,736	0	0	83,736	0	84,507	(771)
Transfers In	20,605	0	0	20,605	33,000	33,000	(12,395)
<u>Total Other Financing Sources</u>	\$ 329,341	\$ 0	\$ 0	\$ 329,341	\$ 33,000	\$ 117,507	\$ 211,834
<u>Net Change in Fund Balance</u>	\$ (1,102,037)	\$ 330,071	\$ (391,312)	\$ (1,163,278)	\$ (686,609)	\$ (997,710)	\$ (165,568)
<u>Fund Balance, July 1, 2012</u>	4,806,324	(330,071)	0	4,476,253	4,119,975	4,119,975	356,278
<u>Fund Balance, June 30, 2013</u>	\$ 3,704,287	\$ 0	\$ (391,312)	\$ 3,312,975	\$ 3,433,366	\$ 3,122,265	\$ 190,710

Exhibit I-9

Henry County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Henry County School Department
School Federal Projects Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
State of Tennessee	\$ 0	\$ 30,393	\$ 5,905	\$ (5,905)
Federal Government	2,074,536	2,124,903	2,346,933	(272,397)
Total Revenues	\$ 2,074,536	\$ 2,155,296	\$ 2,352,838	\$ (278,302)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,005,225	\$ 1,019,706	\$ 1,113,882	\$ 108,657
Special Education Program	582,883	609,663	665,102	82,219
Vocational Education Program	58,623	59,161	59,160	537
<u>Support Services</u>				
Other Student Support	52,505	60,374	62,876	10,371
Regular Instruction Program	240,610	253,294	279,093	38,483
Special Education Program	93,702	111,000	125,958	32,256
Vocational Education Program	3,721	4,226	4,226	505
Transportation	17,611	17,536	20,376	2,765
Total Expenditures	\$ 2,054,880	\$ 2,134,960	\$ 2,330,673	\$ 275,793
Excess (Deficiency) of Revenues Over Expenditures	\$ 19,656	\$ 20,336	\$ 22,165	\$ (2,509)
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 117,988	\$ 12,301	\$ (12,301)
Transfers Out	(20,605)	(138,324)	(34,466)	13,861
Total Other Financing Sources	\$ (20,605)	\$ (20,336)	\$ (22,165)	\$ 1,560
Net Change in Fund Balance	\$ (949)	\$ 0	\$ 0	\$ (949)
Fund Balance, July 1, 2012	152,118	0	0	152,118
Fund Balance, June 30, 2013	\$ 151,169	\$ 0	\$ 0	\$ 151,169

Exhibit I-10

Henry County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Henry County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 616,055	\$ 708,614	\$ 708,614	\$ (92,559)
Other Local Revenues	737	11,769	11,769	(11,032)
State of Tennessee	17,532	16,533	16,533	999
Federal Government	1,317,471	1,276,590	1,376,590	(59,119)
Total Revenues	<u>\$ 1,951,795</u>	<u>\$ 2,013,506</u>	<u>\$ 2,113,506</u>	<u>\$ (161,711)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,990,368	\$ 2,013,506	\$ 2,113,506	\$ 123,138
Total Expenditures	<u>\$ 1,990,368</u>	<u>\$ 2,013,506</u>	<u>\$ 2,113,506</u>	<u>\$ 123,138</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (38,573)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (38,573)</u>
Net Change in Fund Balance	\$ (38,573)	\$ 0	\$ 0	\$ (38,573)
Fund Balance, July 1, 2012	<u>615,380</u>	<u>0</u>	<u>0</u>	<u>615,380</u>
Fund Balance, June 30, 2013	<u>\$ 576,807</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 576,807</u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

Henry County, Tennessee
 Schedule of Changes in Long-term Notes, Other Loans, and Bonds
 For the Year Ended June 30, 2013

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-12	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-13
NOTES PAYABLE									
<u>Payable through General Debt Service Fund</u>									
School Energy Efficiency Improvement	\$ 499,872	0	2-2-07	2-15-14	\$ 142,822	\$ 0	\$ 71,410	\$ 0	\$ 71,412
Right-of-Way and Utility Relocation	500,000	3.74	6-17-08	1-2-13	321,009	0	0	321,009	0
Airport Industrial Building	960,000	0	8-6-08	7-31-18	730,000	0	120,000	0	610,000
Solid Waste Bailer	80,000	3.85	9-24-08	1-2-13	32,000	0	16,000	16,000	0
Emergency Services Complex	426,000	3.99	11-4-09	1-2-13	368,133	0	30,677	337,456	0
Energy Efficiency Projects	660,000	3.22	11-30-10	1-2-13	613,591	0	47,325	566,266	0
General Obligation Refunding and Improvement CON Series 2013	1,550,000	1 to 2	1-2-13	5-1-23	0	1,550,000	75,000	0	1,475,000
General Improvement Projects	161,623	.95	1-22-13	6-30-13	0	161,623	161,623	0	0
Total Notes Payable					\$ 2,207,555	\$ 1,711,623	\$ 522,035	\$ 1,240,731	\$ 2,156,412
OTHER LOANS PAYABLE									
<u>Payable through General Debt Service Fund</u>									
Grove School/Campus Renovation	3,000,000	Variable	5-17-96	5-25-15	\$ 697,300	\$ 0	\$ 220,100	\$ 0	\$ 477,200
Payable through Highway/Public Works Fund									
Road Improvements	2,800,000	Variable	8-25-09	5-25-18	1,640,000	0	263,000	0	1,377,000
Total Other Loans Payable					\$ 2,337,300	\$ 0	\$ 483,100	\$ 0	\$ 1,854,200
BONDS PAYABLE									
<u>Payable through General Debt Service Fund</u>									
School, Series 2001B (CAB) (1)	3,693,361	4.6 to 5.2	3-1-01	5-1-21	\$ 2,799,078	\$ 0	\$ 260,447	\$ 0	\$ 2,538,631
School, Rural Series 2003	6,600,000	4.25 to 4.6	1-1-03	1-2-13	6,600,000	0	0	6,600,000	0
School, Refunding Series 2005	5,790,000	3 to 3.85	5-27-05	5-1-18	4,045,000	0	575,000	0	3,470,000
School, Series 2010	2,500,000	1.6 to 4.25	1-22-10	5-1-26	2,410,000	0	45,000	0	2,365,000
Rural School Refunding Bonds, Series 2013	6,145,000	2 to 4	1-2-13	5-1-25	0	6,145,000	0	0	6,145,000
Total Bonds Payable					\$ 15,854,078	\$ 6,145,000	\$ 880,447	\$ 6,600,000	\$ 14,518,631

(1) These (CAB) bonds accrete interest that is paid at bond maturity. As of June 30, 2013, interest of \$2,167,686 has accreted on the bonds.

Exhibit J-2

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

Year Ending June 30	Notes		
	Principal	Interest	Total
2014	\$ 376,412	\$ 22,400	\$ 398,812
2015	295,000	20,550	315,550
2016	295,000	18,800	313,800
2017	295,000	17,050	312,050
2018	295,000	15,300	310,300
2019	130,000	11,800	141,800
2020	125,000	9,400	134,400
2021	130,000	6,900	136,900
2022	130,000	4,300	134,300
2023	85,000	1,700	86,700
Total	\$ 2,156,412	\$ 128,200	\$ 2,284,612

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2014	\$ 508,200	\$ 6,501	\$ 13,350	\$ 528,051
2015	535,000	4,638	9,691	549,329
2016	304,000	2,676	5,839	312,515
2017	319,000	1,673	3,650	324,323
2018	188,000	620	1,354	189,974
Total	\$ 1,854,200	\$ 16,108	\$ 33,884	\$ 1,904,192

Year Ending June 30	Bonds		
	Principal	Interest	Total
2014	\$ 885,341	\$ 603,484	\$ 1,488,825
2015	898,169	598,661	1,496,830
2016	1,168,040	585,350	1,753,390
2017	1,175,910	562,880	1,738,790
2018	951,633	781,782	1,733,415
2019	642,109	1,139,891	1,782,000
2020	607,815	1,172,260	1,780,075
2021	1,274,614	473,536	1,748,150
2022	1,525,000	224,070	1,749,070
2023	1,560,000	192,490	1,752,490
2024	1,605,000	145,170	1,750,170
2025	1,665,000	81,100	1,746,100
2026	560,000	23,800	583,800
Total	\$ 14,518,631	\$ 6,584,474	\$ 21,103,105

Exhibit J-3

Henry County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Henry County School Department
For the Year Ended June 30, 2013

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	Highway/Public Works	Net wheel tax revenue	\$ 440,896
"	"	Litter program	5,000
"	General Debt Service	Debt payments	93,581
Solid Waste/Sanitation	"	"	<u>17,232</u>
Total Transfers Primary Government			<u>\$ 556,709</u>
<u>DISCRETELY PRESENTED HENRY</u> <u>COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ <u>20,605</u>
Total Transfers Discretely Presented Henry County School Department			\$ <u>20,605</u>

Exhibit J-4

Henry County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Henry County School Department
For the Year Ended June 30, 2013

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	\$ 72,463	\$ 50,000	RLI Insurance Company
County Road Supervisor	Section 8-24-102, TCA	69,013	100,000	"
Director of Schools	State Board of Education and County Board of Education	142,112 (1)	50,000	Western Surety Company
Trustee	Section 8-24-102, TCA	62,739	1,212,416	RLI Insurance Company
Assessor of Property	Section 8-24-102, TCA	62,739	50,000	"
County Clerk	Section 8-24-102, TCA	62,739	50,000	"
Circuit, General Sessions, and Juvenile Courts Clerk	Section 8-24-102, TCA	62,739	100,000	"
Clerk and Master	Section 8-24-102, TCA and Chancery Court Judge	62,739 (2)	60,000	"
Register of Deeds	Section 8-24-102, TCA	62,739	25,000	"
Sheriff	Section 8-24-102, TCA	69,613 (3)	25,000	"
Employee Blanket Bonds:				
Offices of County Mayor and County Road Supervisor			150,000	Tennessee Risk Management Trust
Office of Director of Schools			150,000	"

- (1) Includes a chief executive officer training supplement of \$1,000.
- (2) Does not include special commissioner fees of \$6,933.
- (3) Includes a law enforcement training supplement of \$600.

Exhibit J-5

Henry County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2013

	Special Revenue Funds					Debt Service		Capital		Total
	General	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works	Fund		Projects		
						General	Debt	General	Capital	
Local Taxes										
County Property Taxes										
Current Property Tax	\$ 2,956,511	\$ 259,421	\$ 0	\$ 0	\$ 1,349,036	\$ 233,476	\$ 0	\$ 0	\$ 4,798,444	
Trustee's Collections - Prior Year	97,990	8,512	0	0	44,273	7,640	0	0	158,415	
Trustee's Collections - Bankruptcy	5,300	475	0	0	2,479	401	0	0	8,655	
Circuit/Clerk & Master Collections - Prior Years	30,971	3,132	0	0	15,767	1,689	0	0	51,559	
Interest and Penalty	19,767	1,733	0	0	9,021	1,567	0	0	32,088	
Pick-up Taxes	7,638	670	0	0	3,484	603	0	0	12,395	
Payments in-Lieu-of-Taxes - Local Utilities	47,794	4,192	0	0	21,801	3,773	0	0	77,560	
Payments in-Lieu-of-Taxes - Other	87,847	7,706	0	0	40,070	6,935	0	0	142,558	
County Local Option Taxes										
Local Option Sales Tax	607,721	0	0	0	0	0	0	0	607,721	
Hotel/Motel Tax	210,896	0	0	0	0	0	0	0	210,896	
Wheel Tax	445,350	0	0	0	0	15,520	0	0	460,870	
Litigation Tax - General	111,513	0	0	0	0	0	0	0	111,513	
Litigation Tax - Jail, Workhouse, or Courthouse	168	0	0	0	0	36,998	0	0	37,166	
Business Tax	92,297	8,096	0	0	47,654	7,286	0	0	155,333	
Statutory Local Taxes										
Bank Excise Tax	51,379	4,507	0	0	23,436	4,056	0	0	83,378	
Wholesale Beer Tax	317,016	0	0	0	0	0	0	0	317,016	
Interstate Telecommunications Tax	1,780	0	0	0	0	0	0	0	1,780	
Total Local Taxes	\$ 5,091,938	\$ 298,444	\$ 0	\$ 0	\$ 1,557,021	\$ 319,944	\$ 0	\$ 0	\$ 7,267,347	
Licenses and Permits										
Licenses										
Animal Registration	\$ 11,739	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,739	
Cable TV Franchise	139,764	0	0	0	0	0	0	0	139,764	
Total Licenses and Permits	\$ 151,503	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 151,503	
Fines, Forfeitures, and Penalties										
Circuit Court										
Fines	\$ 10,963	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,963	
Officers Costs	11,948	0	0	0	0	0	0	0	11,948	
Drug Control Fines	8,876	0	2,711	0	0	0	0	0	11,587	
DUI Treatment Fines	238	0	0	0	0	0	0	0	238	
Data Entry Fee - Circuit Court	1,394	0	0	0	0	0	0	0	1,394	
Courtroom Security Fee	230	0	0	0	0	0	0	0	230	

(Continued)

Exhibit J-5

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

	Special Revenue Funds				Debt Service Fund		Capital Projects Fund		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	General Capital Projects	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>									
<u>General Sessions Court</u>									
Fines	\$ 23,556	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	23,556
Fines for Littering	48	0	0	0	0	0	0	0	48
Officers Costs	62,574	0	0	0	0	0	0	0	62,574
Game and Fish Fines	2,710	0	0	0	0	0	0	0	2,710
Drug Control Fines	6,441	0	10,801	0	0	0	0	0	17,242
Drug Court Fees	7,705	0	0	0	0	0	0	0	7,705
Jail Fees	2,032	0	0	0	0	0	0	0	2,032
DUI Treatment Fines	7,149	0	0	0	0	0	0	0	7,149
Data Entry Fee - General Sessions Court	12,235	0	0	0	0	0	0	0	12,235
Courtroom Security Fee	110	0	0	0	0	0	0	0	110
Victims Assistance Assessments	26,322	0	0	0	0	0	0	0	26,322
<u>Juvenile Court</u>									
Fines	6,261	0	0	0	0	0	0	0	6,261
Officers Costs	513	0	0	0	0	0	0	0	513
Data Entry Fee - Juvenile Court	963	0	0	0	0	0	0	0	963
Courtroom Security Fee	462	0	0	0	0	0	0	0	462
<u>Chancery Court</u>									
Officers Costs	1,756	0	0	0	0	0	0	0	1,756
Data Entry Fee - Chancery Court	2,686	0	0	0	0	0	0	0	2,686
<u>Other Fines, Forfeitures, and Penalties</u>									
Proceeds from Confiscated Property	10,758	0	1,345	0	0	0	0	0	12,103
Other Fines, Forfeitures, and Penalties	0	0	5,672	0	0	0	0	0	5,672
Total Fines, Forfeitures, and Penalties	\$ 207,930	\$ 0	\$ 20,529	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	228,459
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Sale of Electricity	\$ 26,047	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	26,047
Work Release Charges for Board Fees	1,300	0	0	0	0	0	0	0	1,300
Airport Fees	36,381	0	0	0	0	0	0	0	36,381
Copy Fees	98	0	0	0	0	0	0	0	98
Greenbelt Late Application Fee	100	0	0	0	0	0	0	0	100
Telephone Commissions	56,749	0	0	0	0	0	0	0	56,749
Vending Machine Collections	224	0	0	0	0	0	0	0	224
Special Commissioner Fees/Special Master Fees	0	0	0	6,933	0	0	0	0	6,933
Data Processing Fee - Register	12,380	0	0	0	0	0	0	0	12,380

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund		Capital Projects Fund		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Fund		
								General	Projects	
Charges for Current Services (Cont.)										
Fees (Cont.)										
Data Processing Fee - Sheriff	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	9,695
Sexual Offender Registration Fees - Sheriff	2,700	0	0	0	0	0	0	0	0	2,700
Data Processing Fee - County Clerk	2,886	0	0	0	0	0	0	0	0	2,886
Total Charges for Current Services	\$ 148,560	\$ 0	\$ 0	\$ 6,933	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 155,493
Other Local Revenues										
Recurring Items										
Investment Income	0	0	0	0	0	44,364	0	0	0	44,364
Lease/Rentals	58,250	0	0	0	1,200	110,050	0	0	0	169,500
Commissary Sales	45,640	0	0	0	0	0	0	0	0	45,640
Sale of Gasoline	452,108	0	0	0	29,480	0	0	0	0	481,588
Sale of Recycled Materials	737	190,591	0	0	0	0	0	0	0	191,328
Sale of Animals/Livestock	1,815	0	0	0	0	0	0	0	0	1,815
Miscellaneous Refunds	2,141	741	5,095	0	4,784	3,474	803	0	0	17,038
Nonrecurring Items										
Sale of Equipment	50,278	0	17,035	0	114,746	0	0	0	0	182,059
Sale of Property	2,000	0	0	0	0	0	0	0	0	2,000
Damages Recovered from Individuals	485	0	0	0	0	0	0	0	0	485
Performance Bond Forfeitures	22,815	0	0	0	0	0	0	0	0	22,815
Other Local Revenues										
Other Local Revenues	66,510	0	0	0	0	0	0	0	0	66,510
Total Other Local Revenues	\$ 702,779	\$ 191,332	\$ 22,130	\$ 0	\$ 150,210	\$ 157,888	\$ 803	\$ 0	\$ 0	\$ 1,225,142
Fees Received from County Officials										
Fees in-Lieu-of Salary										
County Clerk	381,392	0	0	0	0	0	0	0	0	381,392
Circuit Court Clerk	130,446	0	0	0	0	0	0	0	0	130,446
General Sessions Court Clerk	199,436	0	0	0	0	0	0	0	0	199,436
Clerk and Master	108,523	0	0	0	0	0	0	0	0	108,523
Juvenile Court Clerk	80,914	0	0	0	0	0	0	0	0	80,914
Register	146,256	0	0	0	0	0	0	0	0	146,256
Sheriff	10,792	0	0	0	0	0	0	0	0	10,792
Trustee	462,545	0	0	0	0	0	0	0	0	462,545
Total Fees Received from County Officials	\$ 1,520,304	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,520,304

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund		Capital Projects Fund		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Capital Projects Fund		
								General	Capital Projects	
State of Tennessee										
General Government Grants										
Juvenile Services Program	9,000	0	0	0	0	0	0	0	0	9,000
Airport Maintenance Program	402,321	0	0	0	0	0	0	0	0	402,321
Aging Programs	36,714	0	0	0	0	0	0	0	0	36,714
Solid Waste Grants	0	4,514	0	0	0	0	0	0	0	4,514
Public Safety Grants										
Law Enforcement Training Programs	18,000	0	0	0	0	0	0	0	0	18,000
Other Public Safety Grants	91,184	0	0	0	0	0	0	0	0	91,184
Health and Welfare Grants										
Other Health and Welfare Grants	46,082	0	0	0	0	0	0	0	0	46,082
Public Works Grants										
Bridge Program	0	0	0	0	313,771	0	0	0	0	313,771
Litter Program	0	0	0	0	51,286	0	0	0	0	51,286
Other State Revenues										
Resort District Sales Tax	905,885	0	0	0	0	0	0	0	0	905,885
Beer Tax	18,586	0	0	0	0	0	0	0	0	18,586
Alcoholic Beverage Tax	63,207	0	0	0	0	0	0	0	0	63,207
Mixed Drink Tax	22,973	0	0	0	0	0	0	0	0	22,973
Prisoner Transportation	3,857	0	0	0	0	0	0	0	0	3,857
Contracted Prisoner Boarding	1,218,190	0	0	0	0	0	0	0	0	1,218,190
Gasoline and Motor Fuel Tax	0	0	0	0	1,825,552	0	0	0	0	1,825,552
Petroleum Special Tax	0	0	0	0	23,328	0	0	0	0	23,328
Registrar's Salary Supplement	15,164	0	0	0	0	0	0	0	0	15,164
Other State Revenues	10,653	0	0	0	0	0	0	0	0	10,653
Total State of Tennessee	2,861,816	4,514	0	0	2,213,937	0	0	0	0	5,080,267
Federal Government										
Federal Through State										
Community Development	19,874	0	0	0	0	0	0	0	0	19,874
Disaster Relief	2,211	0	0	0	5,226	0	0	0	0	7,437
Other Federal through State	10,000	0	0	0	0	0	0	0	175,000	185,000
Direct Federal Revenue										
Other Direct Federal Revenue	232,589	0	0	0	0	0	0	0	0	232,589
Total Federal Government	264,674	0	0	0	5,226	0	0	0	175,000	444,900

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works			
Other Governments and Citizens Groups								
Other Governments								
Prisoner Board	\$ 97,160	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 97,160
Contributions	92,484	0	3,395	0	0	1,645,665	0	1,741,544
Contracted Services	24,868	0	0	0	0	0	0	24,868
Other	15,000	0	0	0	0	0	4,000	19,000
Total Other Governments and Citizens Groups	\$ 229,512	\$ 0	\$ 3,395	\$ 0	\$ 0	\$ 1,645,665	\$ 4,000	\$ 1,882,572
Total	\$ 11,179,016	\$ 494,290	\$ 46,054	\$ 6,933	\$ 3,926,394	\$ 2,123,497	\$ 179,803	\$ 17,955,987

Exhibit J-6

Henry County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Henry County School Department
For the Year Ended June 30, 2013

	General Purpose School	Special Revenue Funds		Total
		School Federal Projects	Central Cafeteria	
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 4,314,666	\$ 0	\$ 0	\$ 4,314,666
Trustee's Collections - Prior Year	149,875	0	0	149,875
Trustee's Collections - Bankruptcy	7,827	0	0	7,827
Circuit/Clerk & Master Collections - Prior Years	50,871	0	0	50,871
Interest and Penalty	28,900	0	0	28,900
Pick-up Taxes	11,164	0	0	11,164
Payments in-Lieu-of Taxes - T.V.A.	3,060	0	0	3,060
Payments in-Lieu-of Taxes - Local Utilities	69,858	0	0	69,858
Payments in-Lieu-of Taxes - Other	129,684	0	0	129,684
<u>County Local Option Taxes</u>				
Local Option Sales Tax	2,653,773	0	0	2,653,773
Business Tax	134,792	0	0	134,792
<u>Statutory Local Taxes</u>				
Bank Excise Tax	75,097	0	0	75,097
Interstate Telecommunications Tax	1,805	0	0	1,805
Total Local Taxes	\$ 7,631,372	\$ 0	\$ 0	\$ 7,631,372
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 1,915	\$ 0	\$ 0	\$ 1,915
Total Licenses and Permits	\$ 1,915	\$ 0	\$ 0	\$ 1,915
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 266,455	\$ 266,455
Lunch Payments - Adults	0	0	21,265	21,265
Income from Breakfast	0	0	1,612	1,612
A la carte Sales	0	0	326,723	326,723
Receipts from Individual Schools	42,833	0	0	42,833
Community Service Fees - Children	375	0	0	375
<u>Other Charges for Services</u>				
Other Charges for Services	21,758	0	0	21,758
Total Charges for Current Services	\$ 64,966	\$ 0	\$ 616,055	\$ 681,021
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 737	\$ 737
Lease/Rentals	500	0	0	500
Sale of Materials and Supplies	19,397	0	0	19,397
Miscellaneous Refunds	94,554	0	0	94,554
<u>Nonrecurring Items</u>				
Damages Recovered from Individuals	1,407	0	0	1,407
Contributions and Gifts	72,159	0	0	72,159
<u>Other Local Revenues</u>				
Other Local Revenues	434	0	0	434
Total Other Local Revenues	\$ 188,451	\$ 0	\$ 737	\$ 189,188
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 179,939	\$ 0	\$ 0	\$ 179,939
<u>State Education Funds</u>				
Basic Education Program	14,014,705	0	0	14,014,705
Early Childhood Education	274,224	0	0	274,224
School Food Service	0	0	17,532	17,532
Energy Efficient School Initiative	10,350	0	0	10,350

(Continued)

Exhibit J-6

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

	General Purpose School	Special Revenue Funds		Total
		School Federal Projects	Central Cafeteria	
<u>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
Driver Education	\$ 8,649	\$ 0	\$ 0	\$ 8,649
Other State Education Funds	364,315	0	0	364,315
Career Ladder Program	90,025	0	0	90,025
Career Ladder - Extended Contract	61,200	0	0	61,200
<u>Other State Revenues</u>				
Income Tax	92,944	0	0	92,944
Mixed Drink Tax	15,108	0	0	15,108
State Revenue Sharing - T.V.A.	1,664,871	0	0	1,664,871
Other State Grants	48,795	0	0	48,795
Other State Revenues	7,680	0	0	7,680
Total State of Tennessee	\$ 16,832,805	\$ 0	\$ 17,532	\$ 16,850,337
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 840,554	\$ 840,554
USDA - Commodities	0	0	93,509	93,509
Breakfast	0	0	383,408	383,408
USDA - Other	18,400	0	0	18,400
Adult Education State Grant Program	115,997	0	0	115,997
Vocational Education - Basic Grants to States	0	83,472	0	83,472
Title I Grants to Local Education Agencies	0	919,948	0	919,948
Special Education - Grants to States	0	654,102	0	654,102
Special Education Preschool Grants	0	49,104	0	49,104
English Language Acquisition Grants	0	1,507	0	1,507
Safe and Drug-free Schools - State Grants	0	24,488	0	24,488
Rural Education	0	37,794	0	37,794
Eisenhower Professional Development State Grants	0	159,619	0	159,619
Race-to-the-Top - ARRA	0	144,502	0	144,502
Other Federal through State	255,640	0	0	255,640
Total Federal Government	\$ 390,037	\$ 2,074,536	\$ 1,317,471	\$ 3,782,044
Total	\$ 25,109,546	\$ 2,074,536	\$ 1,951,795	\$ 29,135,877

Exhibit J-7

Henry County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2013

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	26,550	
Dues and Memberships		1,850	
Travel		7,582	
Total County Commission			\$ 35,982

Board of Equalization

Other Per Diem and Fees	\$	400	
Total Board of Equalization			400

Other Boards and Committees

Board and Committee Members Fees	\$	3,925	
Total Other Boards and Committees			3,925

County Mayor/Executive

County Official/Administrative Officer	\$	72,463	
Secretary(ies)		31,173	
Custodial Personnel		42,479	
Maintenance Personnel		43,332	
Dues and Memberships		1,850	
Operating Lease Payments		1,496	
Maintenance and Repair Services - Office Equipment		263	
Postal Charges		412	
Travel		5,200	
Office Supplies		1,490	
In Service/Staff Development		711	
Total County Mayor/Executive			200,869

County Attorney

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

Election Commission

County Official/Administrative Officer	\$	56,465	
Deputy(ies)		30,104	
Election Commission		1,760	
Election Workers		21,749	
Data Processing Services		25,761	
Dues and Memberships		175	
Maintenance and Repair Services - Office Equipment		1,490	
Postal Charges		1,730	
Printing, Stationery, and Forms		5,947	
Rentals		600	
Travel		1,904	
Office Supplies		4,052	
Data Processing Equipment		4,845	
Total Election Commission			156,582

Register of Deeds

County Official/Administrative Officer	\$	62,739	
Deputy(ies)		73,876	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds (Cont.)

Dues and Memberships	\$	603	
Postal Charges		1,000	
Printing, Stationery, and Forms		939	
Travel		784	
Data Processing Supplies		16,808	
Duplicating Supplies		2,063	
Office Supplies		637	
Other Charges		357	
Total Register of Deeds			\$ 159,806

Building

Maintenance Personnel	\$	26,055	
Part-time Personnel		6,454	
Communication		231	
Maintenance and Repair Services - Buildings		7,073	
Other Contracted Services		1,500	
Custodial Supplies		3,864	
Utilities		33,945	
Total Building			79,122

County Buildings

Communication	\$	63,885	
Natural Gas		22,668	
Utilities		55,017	
Total County Buildings			141,570

Other General Administration

Maintenance and Repair Services - Buildings	\$	26,009	
Maintenance and Repair Services - Equipment		250	
Rentals		226	
Custodial Supplies		4,918	
Other Supplies and Materials		232	
Building and Contents Insurance		121,464	
Other Charges		2,157	
Total Other General Administration			155,256

Preservation of Records

Part-time Personnel	\$	7,915	
Other Supplies and Materials		1,000	
Other Charges		1,500	
Total Preservation of Records			10,415

Finance

Accounting and Budgeting

Supervisor/Director	\$	46,124	
Deputy(ies)		29,555	
Data Processing Services		8,620	
Operating Lease Payments		1,994	
Maintenance and Repair Services - Office Equipment		222	
Postal Charges		1,612	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Accounting and Budgeting (Cont.)

Travel	\$	171	
Data Processing Supplies		2,208	
Office Supplies		927	
In Service/Staff Development		618	
Total Accounting and Budgeting			\$ 92,051

Property Assessor's Office

County Official/Administrative Officer	\$	62,739	
Deputy(ies)		134,280	
Data Processing Services		3,000	
Operating Lease Payments		4,329	
Maintenance and Repair Services - Office Equipment		75	
Postal Charges		1,797	
Travel		68	
Office Supplies		1,197	
Other Supplies and Materials		772	
Other Charges		216	
Total Property Assessor's Office			208,473

Reappraisal Program

Deputy(ies)	\$	27,752	
Contracts with Private Agencies		42,425	
Data Processing Services		4,876	
Operating Lease Payments		1,488	
Maintenance and Repair Services - Vehicles		1,030	
Postal Charges		930	
Gasoline		3,513	
Other Charges		1,579	
Total Reappraisal Program			83,593

County Trustee's Office

County Official/Administrative Officer	\$	62,739	
Deputy(ies)		80,150	
Data Processing Services		26,361	
Dues and Memberships		703	
Operating Lease Payments		2,358	
Legal Notices, Recording, and Court Costs		420	
Postal Charges		10,307	
Printing, Stationery, and Forms		3,343	
Travel		1,970	
Office Supplies		1,652	
In Service/Staff Development		787	
Total County Trustee's Office			190,790

County Clerk's Office

County Official/Administrative Officer	\$	62,739
Deputy(ies)		127,637
Data Processing Services		13,951
Dues and Memberships		628
Operating Lease Payments		4,100

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Postal Charges	\$	8,082	
Travel		1,600	
Office Supplies		2,107	
In Service/Staff Development		500	
Other Charges		188	
Data Processing Equipment		925	
Total County Clerk's Office			\$ 222,457

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	62,739	
Deputy(ies)		86,631	
Part-time Personnel		12,080	
Jury and Witness Expense		3,668	
Data Processing Services		11,832	
Dues and Memberships		773	
Operating Lease Payments		655	
Maintenance and Repair Services - Office Equipment		2,481	
Postal Charges		5,984	
Travel		2,399	
Other Contracted Services		539	
Office Supplies		14,619	
Other Charges		569	
Data Processing Equipment		13,231	
Furniture and Fixtures		1,112	
Total Circuit Court			219,312

General Sessions Court

Deputy(ies)	\$	104,615	
Total General Sessions Court			104,615

General Sessions Judge

Judge(s)	\$	144,152	
Dues and Memberships		1,380	
Travel		2,449	
Periodicals		2,116	
Other Charges		28,729	
Total General Sessions Judge			178,826

Chancery Court

County Official/Administrative Officer	\$	62,739	
Deputy(ies)		71,505	
Data Processing Services		2,958	
Dues and Memberships		362	
Legal Notices, Recording, and Court Costs		301	
Maintenance and Repair Services - Office Equipment		376	
Postal Charges		12,801	
Travel		1,035	
Data Processing Supplies		3,414	
Office Supplies		5,917	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Other Charges	\$	213	
Data Processing Equipment		1,408	
Total Chancery Court			\$ 163,029

Juvenile Court

Deputy(ies)	\$	31,173	
Probation Officer(s)		72,928	
Youth Service Officer(s)		39,127	
Part-time Personnel		15,002	
Communication		5,118	
Contracts with Other Public Agencies		3,920	
Data Processing Services		2,325	
Dues and Memberships		290	
Maintenance and Repair Services - Office Equipment		1,300	
Maintenance and Repair Services - Vehicles		1,066	
Postal Charges		300	
Travel		1,716	
Data Processing Supplies		220	
Gasoline		425	
Office Supplies		2,217	
Other Charges		245	
Total Juvenile Court			177,372

Probate Court

Deputy(ies)	\$	29,547	
Data Processing Services		2,958	
Dues and Memberships		312	
Maintenance and Repair Services - Office Equipment		68	
Postal Charges		500	
Data Processing Supplies		2,358	
Office Supplies		2,158	
In Service/Staff Development		212	
Other Charges		222	
Data Processing Equipment		321	
Total Probate Court			38,656

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	69,013	
Assistant(s)		47,978	
Supervisor/Director		34,254	
Deputy(ies)		388,858	
Investigator(s)		247,557	
Captain(s)		45,076	
Lieutenant(s)		42,994	
Sergeant(s)		366,276	
Salary Supplements		18,000	
Dispatchers/Radio Operators		111,159	
Clerical Personnel		57,849	
Attendants		29,370	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Maintenance Personnel	\$	7,859	
Temporary Personnel		13,090	
Overtime Pay		13,957	
Other Salaries and Wages		33,524	
Communication		6,787	
Data Processing Services		18,347	
Dues and Memberships		2,608	
Operating Lease Payments		2,821	
Maintenance and Repair Services - Buildings		6,289	
Maintenance and Repair Services - Equipment		4,823	
Maintenance and Repair Services - Office Equipment		64	
Maintenance and Repair Services - Vehicles		36,209	
Postal Charges		3,068	
Towing Services		955	
Travel		8,625	
Other Contracted Services		9,200	
Custodial Supplies		3,893	
Gasoline		137,876	
Law Enforcement Supplies		9,386	
Office Supplies		15,662	
Tires and Tubes		10,400	
Uniforms		11,277	
Utilities		100,000	
Other Supplies and Materials		4,978	
In Service/Staff Development		3,812	
Law Enforcement Equipment		37,394	
Total Sheriff's Department			\$ 1,961,288

Special Patrols

Nightwatchmen	\$	80,028	
Total Special Patrols			80,028

Administration of the Sexual Offender Registry

Other Charges	\$	2,186	
Total Administration of the Sexual Offender Registry			2,186

Jail

Deputy(ies)	\$	66,829	
Captain(s)		45,076	
Lieutenant(s)		42,994	
Guards		649,606	
Cafeteria Personnel		28,091	
Maintenance Personnel		31,438	
Temporary Personnel		5,364	
Part-time Personnel		5,985	
Overtime Pay		20,000	
Other Salaries and Wages		32,516	
Data Processing Services		1,000	
Operating Lease Payments		2,399	
Maintenance and Repair Services - Buildings		13,738	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Maintenance and Repair Services - Equipment	\$	3,322	
Maintenance and Repair Services - Office Equipment		316	
Maintenance and Repair Services - Vehicles		1,393	
Medical and Dental Services		52,690	
Transportation - Other than Students		3,779	
Travel		3,644	
Custodial Supplies		18,890	
Drugs and Medical Supplies		23,481	
Food Preparation Supplies		2,921	
Food Supplies		192,382	
Law Enforcement Supplies		1,315	
Prisoners Clothing		1,368	
Uniforms		9,742	
Other Supplies and Materials		4,455	
In Service/Staff Development		1,274	
Other Charges		8,530	
Total Jail			\$ 1,274,538

Fire Prevention and Control

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

Rescue Squad

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

Other Emergency Management

Supervisor/Director	\$	18,345	
Part-time Personnel		4,538	
Social Security		1,419	
State Retirement		1,400	
Employer Medicare		332	
Communication		3,332	
Maintenance and Repair Services - Buildings		308	
Maintenance and Repair Services - Equipment		55	
Maintenance and Repair Services - Vehicles		1,968	
Travel		1,598	
Uniforms		500	
Utilities		1,200	
Other Supplies and Materials		780	
Other Charges		88,380	
Total Other Emergency Management			124,155

County Coroner/Medical Examiner

Other Per Diem and Fees	\$	18,800	
Pauper Burials		100	
Other Contracted Services		34,758	
Gasoline		223	
Total County Coroner/Medical Examiner			53,881

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare

Local Health Center

Medical Personnel	\$	23,385	
Part-time Personnel		7,183	
Other Salaries and Wages		6,315	
Social Security		2,287	
State Retirement		1,785	
Medical Insurance		6,600	
Unemployment Compensation		275	
Employer Medicare		535	
Communication		917	
Contracts with Government Agencies		20,300	
Dues and Memberships		268	
Maintenance and Repair Services - Buildings		11,100	
Maintenance and Repair Services - Office Equipment		353	
Postal Charges		454	
Travel		904	
Other Contracted Services		4,250	
Custodial Supplies		1,284	
Drugs and Medical Supplies		1,630	
Office Supplies		3,269	
Other Charges		461	
Total Local Health Center			\$ 93,555

Rabies and Animal Control

Contracts with Other Public Agencies	\$	3,081	
Other Charges		50	
Total Rabies and Animal Control			3,131

Maternal and Child Health Services

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

Alcohol and Drug Programs

Contributions	\$	6,540	
Drug Treatment		2,335	
Total Alcohol and Drug Programs			8,875

Crippled Children Services

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

Other Local Health Services

Contributions	\$	15,500	
Other Supplies and Materials		1,200	
Total Other Local Health Services			16,700

Social, Cultural, and Recreational Services

Adult Activities

Supervisor/Director	\$	25,970	
Social Workers		17,760	
Bus Drivers		10,242	

(Continued)

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Adult Activities (Cont.)

Part-time Personnel	\$	15,832	
Other Salaries and Wages		10,668	
Social Security		4,958	
Handling Charges and Administrative Costs		830	
State Retirement		3,131	
Unemployment Compensation		1,620	
Employer Medicare		1,169	
Communication		575	
Operating Lease Payments		947	
Maintenance and Repair Services - Office Equipment		75	
Maintenance and Repair Services - Vehicles		848	
Postal Charges		798	
Printing, Stationery, and Forms		770	
Travel		5,098	
Other Contracted Services		3,420	
Gasoline		3,206	
Office Supplies		796	
Other Supplies and Materials		575	
Other Charges		1,391	
Total Adult Activities			\$ 110,679

Libraries

Contributions	\$	142,000	
Total Libraries			142,000

Parks and Fair Boards

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

Other Social, Cultural, and Recreational

Contributions	\$	33,000	
Total Other Social, Cultural, and Recreational			33,000

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	44,887	
Secretary(ies)		7,986	
Part-time Personnel		14,033	
Social Security		4,135	
State Retirement		7,562	
Employer Medicare		767	
Communication		2,736	
Dues and Memberships		260	
Operating Lease Payments		2,398	
Postal Charges		300	
Rentals		10,000	
Travel		5,000	
Custodial Supplies		5,318	
Office Supplies		699	
Utilities		12,347	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Agriculture Extension Service (Cont.)

Other Charges	\$	780	
Data Processing Equipment		1,400	
Total Agriculture Extension Service			\$ 120,608

Soil Conservation

Secretary(ies)	\$	27,752	
Social Security		1,721	
State Retirement		2,118	
Unemployment Compensation		208	
Employer Medicare		402	
Total Soil Conservation			32,201

Flood Control

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

Other Operations

Tourism

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

Tourism-Resort District

Contributions	\$	294,819	
Total Tourism-Resort District			294,819

Industrial Development

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

Other Economic and Community Development

Other Charges	\$	207,306	
Total Other Economic and Community Development			207,306

Airport

Supervisor/Director	\$	37,012	
Part-time Personnel		14,998	
Other Salaries and Wages		45,155	
Social Security		5,966	
State Retirement		5,323	
Employer Medicare		1,395	
Communication		2,011	
Maintenance and Repair Services - Buildings		12,610	
Maintenance and Repair Services - Equipment		9,296	
Maintenance and Repair Services - Vehicles		594	
Travel		623	
Remittance of Revenue Collected		19,338	
Other Contracted Services		4,346	
Diesel Fuel		2,101	
Gasoline		314,524	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Airport (Cont.)

Office Supplies	\$	516	
Utilities		15,863	
Liability Insurance		3,413	
Other Charges		4,226	
Airport Improvement		375,274	
Total Airport			\$ 874,584

Veterans' Services

County Official/Administrative Officer	\$	30,761	
Part-time Personnel		4,200	
Dues and Memberships		55	
Maintenance and Repair Services - Vehicles		289	
Postal Charges		400	
Transportation - Other than Students		120	
Travel		766	
Gasoline		2,306	
Office Supplies		1,539	
Total Veterans' Services			40,436

Other Charges

Advertising	\$	585	
Audit Services		36,003	
Dues and Memberships		14,804	
Pest Control		11,294	
Other Supplies and Materials		1,926	
Premiums on Corporate Surety Bonds		3,318	
Trustee's Commission		91,134	
Total Other Charges			159,064

Contributions to Other Agencies

Contributions	\$	14,050	
Matching Share		63,373	
Remittance of Revenue Collected		317,077	
Other Charges		2,211	
Total Contributions to Other Agencies			396,711

Employee Benefits

Longevity Pay	\$	16,050	
Social Security		271,446	
State Retirement		321,687	
Medical Insurance		770,108	
Unemployment Compensation		36,070	
Employer Medicare		60,928	
Workers' Compensation Insurance		102,609	
Total Employee Benefits			1,578,898

Miscellaneous

Other Contracted Services	\$	500	
Building Improvements		24,488	
Total Miscellaneous			24,988

Total General Fund \$ 10,427,865

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$	32,718	
Longevity Pay		50	
Social Security		2,028	
State Retirement		2,497	
Medical Insurance		6,620	
Unemployment Compensation		270	
Employer Medicare		474	
Dues and Memberships		234	
Travel		74	
Office Supplies		90	
Total Sanitation Management	\$		45,055

Recycling Center

Foremen	\$	30,160	
Truck Drivers		206,527	
Longevity Pay		950	
Overtime Pay		686	
Social Security		14,555	
State Retirement		17,581	
Medical Insurance		66,196	
Unemployment Compensation		3,008	
Employer Medicare		3,396	
Communication		2,089	
Freight Expenses		17,280	
Maintenance and Repair Services - Buildings		2,744	
Maintenance and Repair Services - Equipment		7,459	
Maintenance and Repair Services - Vehicles		9,669	
Pest Control		160	
Custodial Supplies		442	
Food Supplies		2,335	
Gasoline		51,607	
Natural Gas		399	
Office Supplies		43	
Small Tools		518	
Tires and Tubes		4,995	
Utilities		10,400	
Wire		3,750	
Other Supplies and Materials		2,450	
Other Charges		4,725	
Total Recycling Center			464,124

Landfill Operation and Maintenance

Contracts with Government Agencies	\$	57,925	
Total Landfill Operation and Maintenance			57,925

Other Operations

Other Charges

Trustee's Commission	\$	7,344	
Total Other Charges			7,344

Total Solid Waste/Sanitation Fund \$ 574,448

(Continued)

Exhibit J-7

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

Drug Control Fund

Public Safety

Drug Enforcement

Part-time Personnel	\$	23,334	
Social Security		1,447	
Unemployment Compensation		597	
Employer Medicare		338	
Communication		1,172	
Contracts with Government Agencies		7,335	
Confidential Drug Enforcement Payments		7,470	
Dues and Memberships		340	
Maintenance Agreements		6,790	
Maintenance and Repair Services - Equipment		125	
Maintenance and Repair Services - Vehicles		252	
Rentals		2,500	
Towing Services		1,860	
Remittance of Revenue Collected		9,000	
Animal Food and Supplies		2,211	
Gasoline		4,386	
Law Enforcement Supplies		288	
Natural Gas		72	
Utilities		575	
Trustee's Commission		202	
In Service/Staff Development		800	
Other Charges		9,951	
Law Enforcement Equipment		1,290	
Total Drug Enforcement			\$ 82,335
Total Drug Control Fund			\$ 82,335

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	6,933	
Total Chancery Court			\$ 6,933
Total Constitutional Officers - Fees Fund			6,933

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	69,013	
Assistant(s)		34,932	
Guards		66,741	
Secretary(ies)		31,675	
Clerical Personnel		28,586	
Custodial Personnel		6,098	
Part-time Personnel		5,471	
Other Salaries and Wages		23,100	
Board and Committee Members Fees		8,280	
Maintenance and Repair Services - Buildings		1,387	
Maintenance and Repair Services - Office Equipment		929	
Postal Charges		990	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Printing, Stationery, and Forms	\$	866	
Travel		542	
Permits		2,080	
Custodial Supplies		329	
Drugs and Medical Supplies		672	
Office Supplies		677	
In Service/Staff Development		694	
Other Charges		339	
Total Administration			\$ 283,401

Highway and Bridge Maintenance

Equipment Operators	\$	484,486	
Truck Drivers		145,827	
Laborers		139,781	
Overtime Pay		15,653	
Rentals		2,077	
Other Contracted Services		48,370	
Asphalt - Hot Mix		58,307	
Asphalt - Liquid		84,946	
Concrete		3,286	
Crushed Stone		181,336	
Fertilizer, Lime, and Seed		500	
General Construction Materials		1,139	
Pipe		58,800	
Road Signs		11,701	
Sand		340	
Small Tools		343	
Wood Products		3,557	
Landfill Closure/Postclosure Care Costs		284	
Other Charges		1,489	
Total Highway and Bridge Maintenance			1,242,222

Operation and Maintenance of Equipment

Mechanic(s)	\$	224,611	
Overtime Pay		7,823	
Maintenance and Repair Services - Equipment		22,384	
Towing Services		65	
Other Contracted Services		30,205	
Diesel Fuel		183,601	
Equipment and Machinery Parts		100,901	
Garage Supplies		1,699	
Gasoline		68,501	
Ice		902	
Lubricants		18,393	
Propane Gas		478	
Small Tools		1,996	
Tires and Tubes		41,833	
Other Supplies and Materials		15,917	
Other Charges		1,367	
Total Operation and Maintenance of Equipment			720,676

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Litter and Trash Collection

Educational Assistants	\$	6,789	
Other Salaries and Wages		28,698	
Handling Charges and Administrative Costs		2,335	
Instructional Supplies and Materials		7,858	
Library Books/Media		1,785	
Other Charges		4,534	
Total Litter and Trash Collection			\$ 51,999

Other Charges

Communication	\$	8,347	
Data Processing Services		1,618	
Dues and Memberships		3,014	
Evaluation and Testing		628	
Legal Services		10,000	
Legal Notices, Recording, and Court Costs		238	
Data Processing Supplies		97	
Utilities		16,948	
Water and Sewer		750	
Premiums on Corporate Surety Bonds		900	
Trustee's Commission		53,953	
Vehicle and Equipment Insurance		25,890	
Workers' Compensation Insurance		108,154	
Other Charges		495	
Total Other Charges			231,032

Employee Benefits

Salary Supplements	\$	23,313	
Social Security		82,117	
State Retirement		94,937	
Medical Insurance		332,175	
Unemployment Compensation		13,538	
Employer Medicare		18,757	
Total Employee Benefits			564,837

Capital Outlay

Engineering Services	\$	10,950	
Bridge Construction		332,270	
Building Improvements		65,364	
Highway Construction		345,232	
Highway Equipment		17,075	
Motor Vehicles		104,070	
Office Equipment		4,703	
Plant Operation Equipment		16,136	
State Aid Projects		212,029	
Total Capital Outlay			1,107,829

Principal on Debt

Highways and Streets

Principal on Other Loans	\$	263,000	
Total Highways and Streets			263,000

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Interest on Debt

Highways and Streets

Interest on Other Loans	\$ 5,771	
Total Highways and Streets		\$ 5,771

Other Debt Service

Highways and Streets

Other Debt Service	\$ 7,022	
Total Highways and Streets		7,022

Total Highway/Public Works Fund		\$ 4,477,789
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General Debt Service Fund

Other Operations

Other Charges

Trustee's Commission	\$ 7,647	
Total Other Charges		\$ 7,647

Principal on Debt

General Government

Principal on Notes	\$ 450,625	
Total General Government		450,625

Education

Principal on Bonds	\$ 880,447	
Principal on Notes	71,410	
Principal on Other Loans	220,100	
Total Education		1,171,957

Interest on Debt

General Government

Interest on Notes	\$ 47,122	
Total General Government		47,122

Education

Interest on Bonds	\$ 644,436	
Interest on Other Loans	3,397	
Total Education		647,833

Other Debt Service

General Government

Underwriter's Discount	\$ 11,475	
Other Debt Issuance Charges	11,803	
Total General Government		23,278

Education

Bank Charges	\$ 6,655	
Underwriter's Discount	69,869	
Other Debt Issuance Charges	58,441	
Total Education		134,965

Total General Debt Service Fund		2,483,427
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(Continued)

Exhibit J-7

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

<u>General Capital Projects Fund</u>			
<u>Other Debt Service</u>			
<u>General Government</u>			
Underwriter's Discount	\$	2,754	
Other Debt Issuance Charges		<u>2,833</u>	
Total General Government			\$ 5,587
<u>Capital Projects</u>			
<u>General Administration Projects</u>			
Airport Improvement	\$	15,398	
Building Improvements		7,248	
Data Processing Equipment		11,182	
Law Enforcement Equipment		29,798	
Motor Vehicles		76,381	
Transportation Equipment		14,583	
Other Equipment		6,573	
Other Construction		<u>279,915</u>	
Total General Administration Projects			441,078
<u>Other General Government Projects</u>			
Other Construction	\$	1,733	
Other Capital Outlay		<u>32,153</u>	
Total Other General Government Projects			<u>33,886</u>
Total General Capital Projects Fund			<u>\$ 480,551</u>
Total Governmental Funds - Primary Government			<u>\$ 18,533,348</u>

Exhibit J-8

Henry County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Henry County School Department
For the Year Ended June 30, 2013

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	7,283,530	
Career Ladder Program		46,200	
Career Ladder Extended Contracts		37,750	
Homebound Teachers		33,484	
Educational Assistants		268,077	
Other Salaries and Wages		44,645	
Certified Substitute Teachers		26,044	
Non-certified Substitute Teachers		64,470	
Social Security		450,946	
State Retirement		667,073	
Medical Insurance		1,305,617	
Employer Medicare		107,388	
Other Fringe Benefits		3,946	
Maintenance and Repair Services - Equipment		10,602	
Other Contracted Services		78,255	
Instructional Supplies and Materials		231,232	
Textbooks		223,704	
Other Supplies and Materials		27,972	
Other Charges		128,534	
Regular Instruction Equipment		255,767	
Total Regular Instruction Program	\$		11,295,236

Alternative Instruction Program

Teachers	\$	92,220	
Educational Assistants		13,318	
Certified Substitute Teachers		136	
Non-certified Substitute Teachers		179	
Social Security		6,221	
State Retirement		9,223	
Medical Insurance		8,868	
Employer Medicare		1,456	
Other Fringe Benefits		90	
Instructional Supplies and Materials		2,944	
Other Charges		1,458	
Regular Instruction Equipment		1,299	
Total Alternative Instruction Program			137,412

Special Education Program

Teachers	\$	843,352	
Career Ladder Program		6,000	
Career Ladder Extended Contracts		9,680	
Homebound Teachers		23,022	
Educational Assistants		101,167	
Speech Pathologist		140,076	
Other Salaries and Wages		37,373	
Certified Substitute Teachers		15,472	
Non-certified Substitute Teachers		7,420	
Social Security		69,922	
State Retirement		101,150	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Medical Insurance	\$	173,072	
Employer Medicare		16,358	
Other Fringe Benefits		1,680	
Total Special Education Program			\$ 1,545,744

Vocational Education Program

Teachers	\$	634,695	
Career Ladder Program		1,000	
Certified Substitute Teachers		782	
Non-certified Substitute Teachers		10,614	
Social Security		37,794	
State Retirement		56,450	
Medical Insurance		78,859	
Employer Medicare		8,844	
Other Fringe Benefits		480	
Maintenance and Repair Services - Equipment		792	
Instructional Supplies and Materials		11,302	
Textbooks		6,787	
Total Vocational Education Program			848,399

Adult Education Program

Teachers	\$	66,607	
Other Salaries and Wages		23,191	
Social Security		5,501	
State Retirement		5,056	
Medical Insurance		5,793	
Employer Medicare		1,286	
Other Fringe Benefits		180	
Communication		1,447	
Travel		1,073	
Other Contracted Services		9,271	
Instructional Supplies and Materials		5,062	
Other Supplies and Materials		2,724	
In Service/Staff Development		5,092	
Total Adult Education Program			132,283

Support Services

Attendance

Supervisor/Director	\$	70,898	
Career Ladder Program		1,800	
Other Salaries and Wages		35,541	
Social Security		4,444	
State Retirement		5,972	
Medical Insurance		9,105	
Employer Medicare		1,537	
Other Fringe Benefits		240	
Postal Charges		225	
Travel		2,330	
Other Contracted Services		33,117	
Other Supplies and Materials		396	
Total Attendance			165,605

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services

Medical Personnel	\$	184,505	
Other Salaries and Wages		74,546	
Social Security		15,613	
State Retirement		19,625	
Medical Insurance		28,188	
Employer Medicare		3,651	
Other Fringe Benefits		240	
Dues and Memberships		100	
Postal Charges		250	
Travel		13,010	
Other Contracted Services		9,232	
Drugs and Medical Supplies		6,369	
Other Supplies and Materials		29,763	
Total Health Services			\$ 385,092

Other Student Support

Career Ladder Program	\$	3,000	
Guidance Personnel		365,647	
Career Ladder Extended Contracts		3,000	
Social Workers		40,560	
Secretary(ies)		24,035	
Social Security		25,489	
State Retirement		37,693	
Medical Insurance		53,667	
Employer Medicare		5,961	
Other Fringe Benefits		1,980	
Evaluation and Testing		15,522	
Travel		1,204	
Other Supplies and Materials		500	
Other Charges		10,305	
Total Other Student Support			588,563

Regular Instruction Program

Supervisor/Director	\$	176,167	
Career Ladder Program		8,000	
Career Ladder Extended Contracts		9,255	
Librarians		292,638	
Instructional Computer Personnel		68,397	
Secretary(ies)		27,190	
Clerical Personnel		28,751	
Other Salaries and Wages		72,759	
Social Security		40,020	
State Retirement		58,953	
Medical Insurance		64,362	
Employer Medicare		9,360	
Other Fringe Benefits		110	
Consultants		3,000	
Travel		17,099	
Library Books/Media		42,534	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

In Service/Staff Development	\$	11,971	
Other Charges		265	
Total Regular Instruction Program			\$ 930,831

Alternative Instruction Program

Supervisor/Director	\$	68,890	
Career Ladder Program		2,000	
Social Security		4,333	
State Retirement		6,295	
Medical Insurance		5,896	
Employer Medicare		1,013	
Communication		728	
Total Alternative Instruction Program			89,155

Special Education Program

Supervisor/Director	\$	65,350	
Career Ladder Program		1,000	
Secretary(ies)		27,448	
Social Security		5,287	
State Retirement		8,000	
Medical Insurance		14,983	
Employer Medicare		1,236	
Other Fringe Benefits		60	
Total Special Education Program			123,364

Vocational Education Program

Supervisor/Director	\$	38,353	
Career Ladder Program		1,000	
Social Security		2,415	
State Retirement		3,495	
Medical Insurance		2,855	
Employer Medicare		565	
Other Fringe Benefits		30	
Travel		13,766	
Total Vocational Education Program			62,479

Other Programs

On-Behalf Payments to OPEB	\$	179,939	
Total Other Programs			179,939

Board of Education

Secretary to Board	\$	5,701	
Other Salaries and Wages		15,105	
Board and Committee Members Fees		9,360	
Social Security		1,817	
State Retirement		1,606	
Unemployment Compensation		29,779	
Employer Medicare		425	
Audit Services		20,115	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Dues and Memberships	\$	9,488	
Legal Services		3,445	
Travel		5,514	
Other Contracted Services		1,156	
Liability Insurance		28,661	
Trustee's Commission		180,617	
Workers' Compensation Insurance		161,714	
Refund to Applicant for Criminal Investigation		1,476	
Other Charges		12,027	
Total Board of Education	\$		488,006

Director of Schools

County Official/Administrative Officer	\$	141,112	
Career Ladder Program		1,000	
Clerical Personnel		29,999	
Social Security		8,694	
State Retirement		14,923	
Medical Insurance		8,067	
Employer Medicare		2,467	
Other Fringe Benefits		226	
Communication		13,564	
Dues and Memberships		5,019	
Postal Charges		10,496	
Travel		3,447	
Other Contracted Services		3,153	
Office Supplies		6,952	
Other Charges		971	
Administration Equipment		2,835	
Total Director of Schools			252,925

Office of the Principal

Principals	\$	465,948	
Career Ladder Program		8,000	
Accountants/Bookkeepers		25,339	
Career Ladder Extended Contracts		13,500	
Assistant Principals		290,489	
Secretary(ies)		137,201	
Clerical Personnel		20,969	
Social Security		57,631	
State Retirement		83,156	
Medical Insurance		79,343	
Employer Medicare		13,478	
Communication		22,860	
Dues and Memberships		5,245	
Travel		880	
Office Supplies		5,570	
Other Charges		12,199	
Total Office of the Principal			1,241,808

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services

Accountants/Bookkeepers	\$	59,000	
Secretary(ies)		48,565	
Other Salaries and Wages		23,854	
Social Security		7,983	
State Retirement		10,093	
Medical Insurance		8,125	
Employer Medicare		1,867	
Travel		2,478	
Other Contracted Services		16,496	
Total Fiscal Services	\$		178,461

Operation of Plant

Other Contracted Services	\$	574,059	
Electricity		575,351	
Natural Gas		96,858	
Water and Sewer		87,078	
Boiler Insurance		6,551	
Building and Contents Insurance		119,350	
Total Operation of Plant			1,459,247

Maintenance of Plant

Supervisor/Director	\$	61,000	
Secretary(ies)		1,037	
Maintenance Personnel		180,110	
Social Security		14,110	
State Retirement		17,859	
Medical Insurance		14,219	
Employer Medicare		3,439	
Other Fringe Benefits		270	
Communication		529	
Laundry Service		3,864	
Other Contracted Services		53,423	
Other Supplies and Materials		304,828	
Total Maintenance of Plant			654,688

Transportation

Supervisor/Director	\$	48,565	
Mechanic(s)		113,167	
Bus Drivers		549,095	
Clerical Personnel		31,705	
Other Salaries and Wages		60	
In-Service Training		2,678	
Social Security		44,229	
State Retirement		52,720	
Medical Insurance		9,318	
Employer Medicare		10,684	
Communication		3,034	
Laundry Service		5,105	
Maintenance and Repair Services - Vehicles		33,911	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Medical and Dental Services	\$	7,542	
Diesel Fuel		337,207	
Garage Supplies		1,048	
Lubricants		9,916	
Tires and Tubes		38,116	
Vehicle Parts		110,191	
Other Supplies and Materials		15,630	
Vehicle and Equipment Insurance		36,849	
Other Charges		4,256	
Transportation Equipment		439,458	
Total Transportation	\$		1,904,484

Operation of Non-Instructional Services

Community Services

Other Salaries and Wages	\$	171,573	
Social Security		10,100	
State Retirement		10,839	
Medical Insurance		4,479	
Employer Medicare		2,362	
Communication		4,084	
Travel		3,760	
Other Contracted Services		16,159	
Food Supplies		12,616	
Other Supplies and Materials		92,553	
Other Charges		31,094	
Total Community Services			359,619

Early Childhood Education

Teachers	\$	126,304	
Career Ladder Program		500	
Educational Assistants		80,225	
Other Salaries and Wages		244	
Certified Substitute Teachers		1,088	
Non-certified Substitute Teachers		3,400	
Social Security		12,507	
State Retirement		17,424	
Medical Insurance		27,811	
Employer Medicare		2,933	
Travel		327	
Other Contracted Services		1,900	
Food Supplies		6,283	
Instructional Supplies and Materials		8,998	
Other Supplies and Materials		1,992	
In Service/Staff Development		4,260	
Total Early Childhood Education			296,196

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	1,575,723	
Total Regular Capital Outlay			1,575,723

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 1,645,665	
Total Education		\$ 1,645,665

Total General Purpose School Fund \$ 26,540,924

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 488,284	
Educational Assistants	84,522	
Other Salaries and Wages	46,190	
Certified Substitute Teachers	4,550	
Non-certified Substitute Teachers	6,786	
Social Security	37,335	
State Retirement	53,914	
Medical Insurance	74,221	
Employer Medicare	8,769	
Instructional Supplies and Materials	141,862	
Regular Instruction Equipment	58,792	
Total Regular Instruction Program		\$ 1,005,225

Special Education Program

Teachers	\$ 203,017	
Educational Assistants	213,431	
Other Salaries and Wages	2,680	
Social Security	24,345	
State Retirement	32,745	
Medical Insurance	55,027	
Employer Medicare	5,733	
Other Fringe Benefits	162	
Maintenance and Repair Services - Equipment	1,723	
Instructional Supplies and Materials	20,142	
Other Supplies and Materials	3,700	
Special Education Equipment	20,178	
Total Special Education Program		582,883

Vocational Education Program

Clerical Personnel	\$ 5,334	
Social Security	331	
State Retirement	239	
Medical Insurance	1,290	
Employer Medicare	77	
Other Supplies and Materials	24,072	
Vocational Instruction Equipment	27,280	
Total Vocational Education Program		58,623

Support Services

Other Student Support

Other Salaries and Wages	\$ 1,370	
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(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Social Security	\$	84	
State Retirement		122	
Employer Medicare		20	
Travel		21,354	
Other Supplies and Materials		5,148	
Other Charges		145	
Other Equipment		24,262	
Total Other Student Support			\$ 52,505

Regular Instruction Program

Supervisor/Director	\$	54,846	
Secretary(ies)		28,000	
Social Security		4,826	
State Retirement		7,021	
Medical Insurance		7,957	
Employer Medicare		1,129	
Consultants		91,337	
Travel		10,502	
Other Supplies and Materials		2,424	
In Service/Staff Development		32,288	
Other Charges		280	
Total Regular Instruction Program			240,610

Special Education Program

Psychological Personnel	\$	52,354	
Social Security		3,196	
State Retirement		4,649	
Medical Insurance		5,817	
Employer Medicare		748	
Travel		5,833	
Other Contracted Services		18,661	
In Service/Staff Development		2,444	
Total Special Education Program			93,702

Vocational Education Program

Travel	\$	2,000	
Other Supplies and Materials		493	
In Service/Staff Development		1,000	
Other Charges		228	
Total Vocational Education Program			3,721

Transportation

Bus Drivers	\$	15,270	
Social Security		947	
State Retirement		1,173	
Employer Medicare		221	
Total Transportation			17,611

Total School Federal Projects Fund \$ 2,054,880

(Continued)

Exhibit J-8

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

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	49,538	
Accountants/Bookkeepers		25,836	
Cafeteria Personnel		509,813	
Social Security		34,903	
State Retirement		38,449	
Medical Insurance		27,785	
Employer Medicare		8,266	
Communication		1,740	
Maintenance and Repair Services - Equipment		2,019	
Travel		4,565	
Other Contracted Services		22,258	
Food Preparation Supplies		4,816	
Food Supplies		1,049,736	
Uniforms		5,705	
USDA - Commodities		93,509	
Other Supplies and Materials		90,573	
In Service/Staff Development		4,883	
Other Charges		1,820	
Food Service Equipment		14,154	
Total Food Service			\$ 1,990,368

Total Central Cafeteria Fund \$ 1,990,368

Total Governmental Funds - Henry County School Department \$ 30,586,172

Exhibit J-9

Henry County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balances - City Agency Funds
For the Year Ended June 30, 2013

	Cities - Sales Tax Fund	Special School District Fund	Total
<u>Cash Receipts</u>			
Current Property Tax	\$ 0	\$ 2,269,213	\$ 2,269,213
Trustee's Collections - Prior Year	0	80,950	80,950
Trustee's Collections - Bankruptcy	0	4,077	4,077
Circuit/Clerk and Master Collections - Prior Years	0	26,837	26,837
Interest and Penalty	0	15,015	15,015
Pick-up Taxes	0	5,881	5,881
Payments in-Lieu-of Taxes - T.V.A.	0	1,612	1,612
Payments in-Lieu-of Taxes - Local Utilities	0	36,798	36,798
Payments in-Lieu-of Taxes - Other	0	67,683	67,683
Local Option Sales Tax	3,452,457	1,401,693	4,854,150
Business Tax	0	70,765	70,765
Bank Excise Tax	0	39,558	39,558
Interstate Telecommunications Tax	0	954	954
City/School District Property Taxes:			
Current Property Tax	0	941,888	941,888
Prior Year's Property Tax	0	37,346	37,346
Interest and Penalty	0	6,741	6,741
Payments in-Lieu-of Taxes	0	24,693	24,693
Marriage Licenses	0	1,011	1,011
Income Tax	0	40,564	40,564
Mixed Drink Tax	0	7,748	7,748
Total Cash Receipts	<u>\$ 3,452,457</u>	<u>\$ 5,081,027</u>	<u>\$ 8,533,484</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 3,417,933	\$ 4,992,108	\$ 8,410,041
Trustee's Commission	34,524	84,726	119,250
Total Cash Disbursements	<u>\$ 3,452,457</u>	<u>\$ 5,076,834</u>	<u>\$ 8,529,291</u>
Excess of Cash Receipts Over (Under)			
Cash Disbursements	\$ 0	\$ 4,193	\$ 4,193
Cash Balance, July 1, 2012	0	194,790	194,790
Cash Balance, June 30, 2013	<u>\$ 0</u>	<u>\$ 198,983</u>	<u>\$ 198,983</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***

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henry County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Henry County's basic financial statements, and have issued our report thereon dated December 30, 2013. Our report includes a reference to other auditors who audited the financial statements of the Henry County Medical Center and the Henry County Emergency Communications District, as described in our report on Henry County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Henry County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our

opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Henry County's internal control. Accordingly, we do not express an opinion on the effectiveness of Henry County's internal control.

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 a 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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: 2013-001, 2013-002, and 2013-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Henry County's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Henry County's Responses to Findings

Henry County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Henry County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Henry County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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
Nashville, Tennessee

December 30, 2013

JPW/sb



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 for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Henry County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Henry County's major federal programs for the year ended June 30, 2013. Henry County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Henry County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and*

Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Henry County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Henry County's compliance.

Opinion on Each Major Federal Program

In our opinion, Henry County complied, in all material respects, with the types of compliance 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, 2013.

Report on Internal Control Over Compliance

Management of Henry County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Henry County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Henry County's internal control over compliance.

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

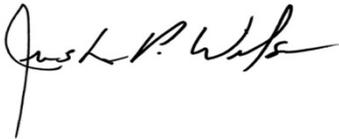
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henry County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Henry County's basic financial statements. We issued our report thereon dated December 30, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

December 30, 2013

JPW/sb

Henry County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2013

Federal/Pass Through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 383,408
National School Lunch Program	10.555	N/A	840,554 (5)
Child and Adult Care Food Program	10.558	(2)	18,400
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	93,509 (5)
Passed-through State Department of Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	GR1339261	175,000
Total U.S. Department of Agriculture			<u>\$ 1,510,871</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	(2)	\$ 19,874
Direct Program:			
Shelter Plus Care	14.238	TN0090C4J071104	226,589
Total U.S. Department of Housing and Urban Development			<u>\$ 246,463</u>
U.S. Department of Justice:			
Direct Program:			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	(2)	\$ 10,000
Total U.S. Department of Justice			<u>\$ 10,000</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Airport Improvement Program	20.106	(3)	\$ 363,304
Alcohol Open Container Requirements	20.607	Z13GHS144	3,590
Total U.S. Department of Transportation			<u>\$ 366,894</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	DG-13-38264-00	\$ 115,997
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	920,358
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	654,102
Special Education - Preschool Grants	84.173	N/A	49,042
Career and Technical Education - Basic Grants to States	84.048	N/A	83,472
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	24,488
Rural Education	84.358	N/A	37,794
English Language Acquisition State Grants	84.365	N/A	1,507
Improving Teacher Quality State Grants	84.367	N/A	160,220
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	144,502
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	N/A	8,117
Total U.S. Department of Education			<u>\$ 2,199,599</u>

(Continued)

Henry County, Tennessee

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

Federal/Pass Through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services:			
Passed-through Northwest Tennessee Development District:			
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	(2)	\$ 6,136
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	(2)	30,578
Passed through State Department of Mental Health and Substance Abuse Services:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	GG1339479	38,871
Total U.S. Department of Health and Human Services			<u>\$ 75,585</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1974-DR-TN	\$ 7,437
Hazard Mitigation Grant	97.039	DR-1909-0080	185,802
Emergency Management Performance Grants	97.042	341010000007620	20,000
Homeland Security Grant Program	97.067	34101-34211	67,594
Total U.S. Department of Homeland Security			<u>\$ 280,833</u>
Total Federal Grants			<u>\$ 4,690,245</u>
<u>State Grants</u>			
		<u>Contract Number</u>	
State Supplement - State Department of Children's Services	N/A	GG1029739	\$ 9,000
Airport Maintenance Program - State Department of Transportation	N/A	(4)	39,017
Preventive Health and Human Services - State Department of Health	N/A	GG1338649	46,082
Optional Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-08-212946-02	4,514
Litter Grant - State Department of Transportation	N/A	(2)	51,286
Early Childhood Education - State Department of Education	N/A	(2)	274,224
Lottery for Education: Afterschool Programs - State Department of Education	N/A	119-12-02-022	181,750
Coordinated School Health - State Department of Education	N/A	(2)	129,822
Safe Schools Act - State Department of Education	N/A	(2)	15,052
Family Resource Center- State Department of Education	N/A	(2)	29,573
Truancy Prevention Program - State Department of Children's Services	N/A	GG-12354-02	48,795
Energy Efficiency State Grant - State Department of Education	N/A	(2)	10,350
Hazard Mitigation Grant - State Department of Military	N/A	(2)	30,967
Total State Grants			<u>\$ 870,432</u>

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

(2) Information not available.

(3) DG-10-29290-00: \$361,419; DG-11-33041-00: \$1,885.

(4) AERO-12-231-00: \$17,211; AERO-M13-316-00: \$21,806.

(5) Total for CFDA No. 10.555 is \$934,063.

Henry County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2013

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below is the finding from the Annual Financial Report for Henry County, Tennessee, for the year ended June 30, 2012, which has not been corrected.

OFFICE OF JUVENILE COURT CLERK

Finding Number	Page Number	Subject
12.06 (A,B)	165	Deficiencies were noted in the maintenance of accounting records

HENRY COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2013

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Henry County is unmodified.
2. The audit of the financial statements of Henry County disclosed significant deficiencies in internal control. None of these deficiencies was considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of Henry County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unmodified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are 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), Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Henry County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The trustee and juvenile court clerk provided written responses, which are paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

OFFICE OF COUNTY MAYOR

FINDING 2013-001

BANK STATEMENTS WERE NOT ACCURATELY RECONCILED WITH THE GENERAL LEDGER, AND LISTS OF OUTSTANDING WARRANTS WERE NOT PREPARED

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

The office did not accurately reconcile its warrant clearing bank account or prepare lists of outstanding warrants at any time during the audit period. A list of outstanding warrants at June 30, 2013, was subsequently prepared; however, the account did not reconcile with the general ledger by \$7,957 since all errors had not been corrected or identified. The monthly reconciliation of bank statements and the preparation of lists of outstanding warrants are necessary procedures to ensure that all transactions are recorded accurately in the accounting records. The Trustee's Office maintains this bank clearing account for warrants written by the County Mayor's Office and in prior years was responsible for reconciling the account. However, the County Mayor's Office assumed the responsibility of reconciling this account with the trustee's general ledger balance effective July 1, 2012. This deficiency exists because management failed to ensure that the bank account was properly reconciled and outstanding warrants listed.

RECOMMENDATION

Bank statements should be accurately reconciled with the general ledger monthly, and any errors discovered should be corrected promptly. Accurate lists of outstanding warrants should be prepared monthly.

OFFICE OF TRUSTEE

FINDING 2013-002

BANK STATEMENTS WERE NOT ACCURATELY RECONCILED WITH THE GENERAL LEDGER

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

Bank statements were not accurately reconciled with the general ledger. An employee attempted to reconcile the bank accounts monthly; however, all errors were not identified. Since errors were not identified and corrected, two bank accounts did not reconcile with the general ledger by \$133,378 and \$72,114, respectively, at June 30, 2013. The monthly

reconciliation of bank statements and the identification and correction of errors are necessary procedures to ensure that all cash collections are recorded accurately in the accounting records. This deficiency exists because management failed to ensure that accounting records were properly reconciled.

RECOMMENDATION

Bank statements should be accurately reconciled with the general ledger monthly, and any errors discovered should be corrected promptly.

MANAGEMENT'S RESPONSE – TRUSTEE

I agree that the bank statements should reconcile with the general ledger monthly. However, at the time of the finding, the Trustee's Office was undergoing software updates, sickness, and vacations. Segregation of duties recommended by the Comptroller prohibits the trustee from doing the bank reconciliation in a four-person office. Since this finding, bank statements do reconcile, and I highlight the fact that all monies are present and no malfeasance was or has ever been committed. The internal controls that have been implemented by me had prior approval from state auditors.

AUDITOR'S COMMENT

The Comptroller's Office has provided guidelines to assist the trustee in properly segregating duties. These guidelines only provide suggestions on which duties should be segregated, they do not prohibit the trustee from doing a bank reconciliation. It is the responsibility of the trustee to assign the work in his office to best implement segregation of duties.

OFFICE OF JUVENILE COURT CLERK

FINDING 2013-003

DEFICIENCIES WERE NOTED IN THE MAINTENANCE OF ACCOUNTING RECORDS

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

Our examination revealed the following deficiencies in the maintenance of accounting records for the Office of Juvenile Court Clerk. These deficiencies are the result of management's failure to correct the finding noted in the prior-year report and are considered significant deficiencies that increase the risk of fraud and abuse and the risk that errors will not be discovered and corrected in a timely manner.

- A. A double-entry accounting system had not been implemented.
- B. Individual receipts were not posted to the records. Receipts were posted in total to the records only when a deposit was made.

RECOMMENDATION

The Office of Juvenile Court Clerk should properly maintain a cash journal that accurately reflects all financial activity of the office.

MANAGEMENT'S RESPONSE – JUVENILE COURT CLERK

Upon notification and explanation of the finding in the Juvenile Court Clerk's Office, I promptly made the changes by ordering a cash journal that will better accommodate the manually recorded information preferred by the Division of Local Government Audit including posting individual receipts.

Much of the reason that these findings were present is related to a delayed installation of new software in the Juvenile Court Clerk's Office. The current system simply doesn't do it the way the Division of Local Government Audit has requested, but the new system will provide that detailed information. We've recently received confirmation that the new system's "go-live" date is on or around March 1, 2014, and that is when we believe we can discontinue relying on the manual financial record keeping. The record keeping will then be accomplished by automation.

It is to be noted that this finding does not imply any wrong-doing or withheld financial information, but instead is a matter of how we have been keeping manual records not in the format requested by the Division of Local Government Audit. The new cash journal with more ledger space will make that possible manually until such time as we begin using the new automated system.

AUDITOR'S COMMENT

Generally accepted accounting principles, not the Comptroller's Office, dictate that records be maintained using a double-entry accounting system. Sound business practice dictates that receipts be posted individually rather than in groups.

BEST PRACTICE

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

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

There were no findings and questioned costs for federal awards.

**HENRY COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2013**

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