



**ANNUAL FINANCIAL REPORT
HENDERSON 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***

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

HENDERSON COUNTY, TENNESSEE

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

Scope

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

Results

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

Our audit resulted in eight findings and recommendations, which we have reviewed with Henderson 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 FINANCE DIRECTOR

- ◆ Purchase orders were not issued in some instances.
 - ◆ Designated situs-based taxes were inadequate to fund rural fire protection.
 - ◆ The office had deficiencies in accounting for employee health insurance transactions.
 - ◆ An unauthorized salary supplement was paid to the finance director.
-

OFFICE OF COUNTY CLERK

- ◆ Deficiencies were noted in cash reconciliation procedures.
-

OFFICES OF COUNTY CLERK AND CIRCUIT COURT CLERK

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

OFFICES OF COUNTY CLERK AND CLERK AND MASTER

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

OFFICES OF FINANCE DIRECTOR, COUNTY CLERK, AND SHERIFF

- ◆ Duties were not segregated adequately.
-

BEST PRACTICE

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

INTRODUCTORY SECTION

Henderson County Officials

June 30, 2013

Officials

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

Board of County Commissioners

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

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

Board of Education

Tommy Gordon, Chairman
Van Bledsoe
Jeff Camper
Bobby Harrington
Daniel Lewis
Dennis McDaniel
John Wood

Financial Management Committee

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

FINANCIAL SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
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JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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Independent Auditor's Report

Henderson County Mayor and
Board of County Commissioners
Henderson 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 Henderson 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 Henderson County Emergency Communications District, which represent 3.1 percent, 3.8 percent, and 1.3 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Henderson County Emergency Communications District, is based solely on the report 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 report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henderson County, Tennessee, as of June 30, 2013, and the respective changes in financial position thereof 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

As described in Note V.B., Henderson County has adopted the 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*, which became effective for the year ended June 30, 2013. Henderson 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 plan and other postemployment benefits plans on pages 71-73 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 Henderson County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, 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, 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, and

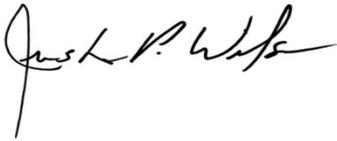
miscellaneous schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 October 14, 2013, on our consideration of Henderson 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 Henderson County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

October 14, 2013

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Primary Government Governmental Activities	Component Units	
		Henderson County School Department	Emergency Communications District
<u>ASSETS</u>			
Cash	\$ 1,056,531	\$ 0	\$ 660,694
Equity in Pooled Cash and Investments	8,890,310	8,088,272	0
Accounts Receivable	109,184	720	5,443
Due from Other Governments	640,813	533,044	11,641
Due from Component Units	1,681,394	0	0
Property Taxes Receivable	5,905,903	2,829,687	0
Allowance for Uncollectible Property Taxes	(141,327)	(67,705)	0
Capital Assets:			
Assets Not Depreciated:			
Land	2,133,209	933,161	0
Construction in Progress	0	132,500	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	13,986,493	15,023,284	975
Infrastructure	1,269,618	94,211	0
Other Capital Assets	1,279,016	981,816	250,276
Total Assets	<u>\$ 36,811,144</u>	<u>\$ 28,548,990</u>	<u>\$ 929,029</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Charge on Refunding	\$ 331,046	\$ 0	\$ 0
Total Deferred Outflows of Resources	<u>\$ 331,046</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>LIABILITIES</u>			
Accrued Interest Payable	\$ 261,510	\$ 0	\$ 0
Due to Primary Government	0	1,681,394	0
Noncurrent Liabilities:			
Due Within One Year	2,608,430	0	0
Due in More Than One Year (net of deferred discount on debt and unamortized premium on debt)	26,896,042	830,324	0
Total Liabilities	<u>\$ 29,765,982</u>	<u>\$ 2,511,718</u>	<u>\$ 0</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 5,559,459	\$ 2,663,737	\$ 0
Total Deferred Inflows of Resources	<u>\$ 5,559,459</u>	<u>\$ 2,663,737</u>	<u>\$ 0</u>

(Continued)

Exhibit A

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

	Primary Government Governmental Activities	Component Units	
		Henderson County School Department	Emergency Communications District
<u>NET POSITION</u>			
Net Investment in Capital Assets	\$ 2,857,864	\$ 17,164,972	\$ 251,251
Restricted for:			
General Government	33,118	0	0
Finance	3,603	0	0
Administration of Justice	213,782	0	0
Public Safety	254,015	0	0
Public Health and Welfare	186,353	0	0
Highway/Public Works	1,436,502	0	0
Debt Service	4,860,115	0	0
Education	0	437,458	0
Operation of Non-Instructional Services	0	757,730	0
Unrestricted	(8,028,604)	5,013,375	677,778
Total Net Position	<u>\$ 1,816,749</u>	<u>\$ 23,373,535</u>	<u>\$ 929,029</u>

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

Exhibit B

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

Functions/Programs	Net (Expense) Revenue and Changes in Net Position									
	Primary					Component Units				
	Program Revenues		Government			Henderson County School Department		Emergency Communications District		
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Governmental Activities	Department	School	Department	Emergency Communications District	Emergency Communications District
Primary Government:										
Governmental Activities:										
General Government	\$ 1,223,271	\$ 121,768	\$ 16,164	\$ 0	\$ (1,085,339)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	1,039,048	723,261	0	0	(315,787)	0	0	0	0	0
Administration of Justice	1,146,134	988,615	4,815	0	(152,704)	0	0	0	0	0
Public Safety	4,903,462	1,443,292	63,391	0	(3,396,779)	0	0	0	0	0
Public Health and Welfare	764,320	27,474	486,455	0	(250,391)	0	0	0	0	0
Social, Cultural, and Recreational Services	81,807	0	0	0	(81,807)	0	0	0	0	0
Agriculture and Natural Resources	146,765	0	0	0	(146,765)	0	0	0	0	0
Other Operations	277,178	0	0	0	(277,178)	0	0	0	0	0
Highways	1,650,253	3,210	1,772,093	0	125,050	0	0	0	0	0
Interest on Long-term Debt	1,145,545	0	327,432	0	(818,113)	0	0	0	0	0
Other Debt Service	111,135	0	0	0	(111,135)	0	0	0	0	0
Total Primary Government	\$ 12,488,918	\$ 3,307,620	\$ 2,670,350	\$ 0	\$ (6,510,948)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Component Units:										
Henderson County School Department	\$ 31,625,612	\$ 1,082,917	\$ 4,099,730	\$ 0	\$ 0	\$ (26,442,965)	\$ 0	\$ 0	\$ 0	\$ 0
Emergency Communications District	325,806	172,704	236,321	29,126	0	0	0	0	112,345	0
Total Component Units	\$ 31,951,418	\$ 1,255,621	\$ 4,336,051	\$ 29,126	\$ 0	\$ (26,442,965)	\$ 0	\$ 0	\$ 112,345	\$ 0

(Continued)

Exhibit B

Henderson 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		Component Units
				Total Governmental Activities	Henderson County School Department	
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes				\$ 5,056,829	\$ 2,952,117	\$ 0
Property Taxes Levied for Debt Service				1,102,674	0	0
Local Option Sales Taxes				689,624	2,581,927	0
Hotel/Motel Taxes				50,297	0	0
Wheel Taxes				885,228	352,979	0
Litigation Taxes				183,066	0	0
Business Taxes				257,308	0	0
Wholesale Beer Taxes				72,022	0	0
Other Local Taxes				1,519	2,022	0
Grants and Contributions Not Restricted to Specific Programs				126,617	20,619,047	0
Unrestricted Investment Earnings				224,297	0	4,153
Miscellaneous				90,313	49,712	0
Total General Revenues				\$ 8,739,794	\$ 26,557,804	\$ 4,153
Change in Net Position				\$ 2,228,846	\$ 114,839	\$ 116,498
Net Position, July 1, 2012				20,841	23,258,696	812,531
Prior-period Adjustment - Accounting Change - See Note V.B.				(432,938)	0	0
Net Position, June 30, 2013				\$ 1,816,749	\$ 23,373,535	\$ 929,029

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

Exhibit C-1

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

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 1,056,531	\$ 1,056,531
Equity in Pooled Cash and Investments	2,554,848	1,133,288	3,745,348	1,456,826	8,890,310
Accounts Receivable	40,906	157	24,734	43,387	109,184
Due from Other Governments	218,108	317,413	0	105,292	640,813
Due from Other Funds	291	0	0	0	291
Property Taxes Receivable	4,045,193	213,207	1,066,031	581,472	5,905,903
Allowance for Uncollectible Property Taxes	(96,808)	(5,101)	(25,506)	(13,912)	(141,327)
Total Assets	\$ 6,762,538	\$ 1,658,964	\$ 4,810,607	\$ 3,229,596	\$ 16,461,705
<u>LIABILITIES</u>					
Due to Other Funds	\$ 0	\$ 0	\$ 0	\$ 291	\$ 291
Total Liabilities	\$ 0	\$ 0	\$ 0	\$ 291	\$ 291
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 3,807,873	\$ 200,703	\$ 1,003,512	\$ 547,371	\$ 5,559,459
Deferred Delinquent Property Taxes	121,012	6,403	27,413	18,389	173,217
Other Deferred/Unavailable Revenue	107,934	161,600	0	52,015	321,549
Total Deferred Inflows of Resources	\$ 4,036,819	\$ 368,706	\$ 1,030,925	\$ 617,775	\$ 6,054,225
<u>FUND BALANCES</u>					
Restricted:					
Restricted for General Government	\$ 33,118	\$ 0	\$ 0	\$ 0	\$ 33,118
Restricted for Finance	3,603	0	0	0	3,603
Restricted for Administration of Justice	213,782	0	0	0	213,782
Restricted for Public Safety	185,261	0	0	68,754	254,015
Restricted for Public Health and Welfare	104,299	0	0	63,665	167,964
Restricted for Highways/Public Works	0	1,272,054	0	0	1,272,054
Restricted for Debt Service	0	0	3,442,597	1,266,004	4,708,601
Committed:					
Committed for Finance	0	0	0	735,710	735,710
Committed for Administration of Justice	0	0	0	363,717	363,717
Committed for Public Health and Welfare	0	0	0	78,848	78,848
Committed for Other Operations	208,255	0	0	0	208,255
Committed for Highways/Public Works	0	18,204	0	0	18,204
Committed for Debt Service	0	0	337,085	34,832	371,917
Unassigned	1,977,401	0	0	0	1,977,401
Total Fund Balances	\$ 2,725,719	\$ 1,290,258	\$ 3,779,682	\$ 2,611,530	\$ 10,407,189
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,762,538	\$ 1,658,964	\$ 4,810,607	\$ 3,229,596	\$ 16,461,705

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

Exhibit C-2

Henderson County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net 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)		\$ 10,407,189
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 2,133,209	
Add: buildings and improvements net of accumulated depreciation	13,986,493	
Add: infrastructure net of accumulated depreciation	1,269,618	
Add: other capital assets net of accumulated depreciation	<u>1,279,016</u>	18,668,336
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: note payable	\$ (340,000)	
Less: other loan payable	(1,681,394)	
Add: due from component unit for debt retirement	1,681,394	
Less: bonds payable	(27,045,000)	
Add: deferred amount on refunding	331,046	
Add: deferred charges - discount on debt issued	8,309	
Less: compensated absences payable	(104,362)	
Less: landfill closure/postclosure care costs	(94,868)	
Less: other postemployment benefits liability	(161,667)	
Less: accrued interest on note and bonds	(261,510)	
Less: other deferred revenue - premium on debt	<u>(85,490)</u>	(27,753,542)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>494,766</u>
Net position of governmental activities (Exhibit A)		<u>\$ 1,816,749</u>

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

Exhibit C-3

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

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 4,865,941	\$ 222,099	\$ 2,036,119	\$ 1,206,313	\$ 8,330,472
Licenses and Permits	1,045	0	0	0	1,045
Fines, Forfeitures, and Penalties	413,516	0	0	30,356	443,872
Charges for Current Services	98,539	0	0	922,140	1,020,679
Other Local Revenues	242,762	5,973	87,341	52,219	388,295
Fees Received from County Officials	465,033	0	0	0	465,033
State of Tennessee	1,390,499	1,765,848	0	16,294	3,172,641
Federal Government	38,911	6,897	0	0	45,808
Other Governments and Citizens Groups	549,604	0	104,416	289,025	943,045
Total Revenues	\$ 8,065,850	\$ 2,000,817	\$ 2,227,876	\$ 2,516,347	\$ 14,810,890
<u>Expenditures</u>					
Current:					
General Government	\$ 1,209,894	\$ 0	\$ 0	\$ 0	\$ 1,209,894
Finance	567,979	0	0	456,462	1,024,441
Administration of Justice	492,060	0	0	452,331	944,391
Public Safety	4,649,193	0	0	132,781	4,781,974
Public Health and Welfare	169,348	0	0	605,567	774,915
Social, Cultural, and Recreational Services	81,807	0	0	0	81,807
Agriculture and Natural Resources	143,484	0	0	0	143,484
Other Operations	570,957	0	0	0	570,957
Highways	0	1,521,935	0	0	1,521,935
Debt Service:					
Principal on Debt	65,000	0	1,754,588	680,000	2,499,588
Interest on Debt	12,150	0	1,026,211	88,488	1,126,849
Other Debt Service	0	0	104,391	6,215	110,606
Total Expenditures	\$ 7,961,872	\$ 1,521,935	\$ 2,885,190	\$ 2,421,844	\$ 14,790,841
Excess (Deficiency) of Revenues Over Expenditures					
	\$ 103,978	\$ 478,882	\$ (657,314)	\$ 94,503	\$ 20,049
<u>Other Financing Sources (Uses)</u>					
Refunding Debt Issued	\$ 0	\$ 0	\$ 4,035,000	\$ 0	\$ 4,035,000
Premiums on Debt Issued	0	0	72,810	0	72,810
Insurance Recovery	315,997	30,702	0	0	346,699
Payments to Refunded Debt Escrow Agent	0	0	(4,038,488)	0	(4,038,488)
Total Other Financing Sources (Uses)	\$ 315,997	\$ 30,702	\$ 69,322	\$ 0	\$ 416,021
Net Change in Fund Balances					
Fund Balance, July 1, 2012	\$ 2,305,744	\$ 780,674	\$ 4,367,674	\$ 2,517,027	\$ 9,971,119
Fund Balance, June 30, 2013	\$ 2,725,719	\$ 1,290,258	\$ 3,779,682	\$ 2,611,530	\$ 10,407,189

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

Exhibit C-4

Henderson County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 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)		\$	436,070
(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		\$	557,120
Less: current-year depreciation expense			<u>(1,057,434)</u>
			(500,314)
(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		\$	494,766
Less: deferred delinquent property taxes and other deferred June 30, 2012			<u>(521,883)</u>
			(27,117)
(3) The issuance of long-term debt (e.g., bonds, notes and other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net 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 effect of these differences in the treatment of long-term debt and related items.			
Less: refunding bond proceeds		\$	(4,035,000)
Add: debt principal refunded			3,819,442
Less: change in premium on debt issuances			(59,835)
Less: change in discount on debt issued			(529)
Add: change in deferred amount on refunding debt			160,153
Add: principal payments on bonds			2,355,000
Add: principal payments on notes			65,604
Add: principal payments on other loan			78,984
Less: debt service contributions for principal to primary government			<u>(78,984)</u>
			2,304,835
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in accrued interest payable		\$	40,197
Change in landfill closure/postclosure care costs			1,731
Change in compensated absences payable			2,735
Change in other postemployment benefits liability			<u>(29,291)</u>
			<u>15,372</u>
Change in net position of governmental activities (Exhibit B)		\$	<u><u>2,228,846</u></u>

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

Exhibit C-5

Henderson 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	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Revenues						
Local Taxes	\$ 4,865,941	\$ 0	\$ 4,865,941	\$ 4,614,314	\$ 4,761,382	\$ 104,559
Licenses and Permits	1,045	0	1,045	1,500	1,500	(455)
Fines, Forfeitures, and Penalties	413,516	0	413,516	193,500	368,500	45,016
Charges for Current Services	98,539	0	98,539	22,700	47,900	50,639
Other Local Revenues	242,762	0	242,762	126,000	159,000	83,762
Fees Received from County Officials	465,033	0	465,033	414,000	488,100	(23,067)
State of Tennessee	1,390,499	0	1,390,499	815,284	1,184,335	206,164
Federal Government	38,911	0	38,911	27,000	27,000	11,911
Other Governments and Citizens Groups	549,604	0	549,604	338,000	788,000	(238,396)
Total Revenues	\$ 8,065,850	\$ 0	\$ 8,065,850	\$ 6,552,298	\$ 7,825,717	\$ 240,133

Expenditures

General Government

County Commission	\$ 79,380	\$ 0	\$ 79,380	\$ 79,449	\$ 79,449	\$ 69
Board of Equalization	1,468	0	1,468	1,500	1,500	32
County Mayor/Executive	118,299	0	118,299	119,633	124,005	5,706
County Attorney	8,743	0	8,743	9,870	9,870	1,127
Election Commission	150,205	0	150,205	158,002	158,892	8,687
Register of Deeds	121,038	0	121,038	137,149	141,067	20,029
County Buildings	730,761	(18,000)	712,761	627,366	812,388	99,627
<u>Finance</u>						
Accounting and Budgeting	278,396	0	278,396	277,190	283,763	5,367
Property Assessor's Office	193,821	0	193,821	194,478	201,076	7,255
Reappraisal Program	37,896	0	37,896	36,516	39,196	1,300
County Trustee's Office	21,876	0	21,876	26,500	26,500	4,624

(Continued)

Exhibit C-5

Henderson 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	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Finance (Cont.)</u>						
County Clerk's Office	\$ 35,990	\$ 0	\$ 35,990	\$ 31,500	\$ 37,600	\$ 1,610
<u>Administration of Justice</u>						
Circuit Court	146,360	0	146,360	44,994	199,194	52,834
General Sessions Court	169,518	0	169,518	165,809	174,654	5,136
Drug Court	8,114	0	8,114	0	10,000	1,886
Chancery Court	121,255	0	121,255	22,400	128,678	7,423
Juvenile Court	46,813	0	46,813	46,760	53,490	6,677
<u>Public Safety</u>						
Sheriff's Department	1,622,729	0	1,622,729	1,429,167	1,741,210	118,481
Administration of the Sexual Offender Registry	1,780	0	1,780	0	3,000	1,220
Workhouse	1,405,914	0	1,405,914	1,320,900	1,455,652	49,738
Fire Prevention and Control	314,703	(152,800)	161,903	222,458	278,281	116,378
Civil Defense	512,661	(3,113)	509,548	44,341	604,673	95,125
Rescue Squad	0	0	0	15,000	15,000	15,000
Other Emergency Management	203,342	0	203,342	9,135	211,635	8,293
County Coroner/Medical Examiner	44,213	0	44,213	38,013	58,013	13,800
Other Public Safety	543,851	0	543,851	385,000	544,094	243
<u>Public Health and Welfare</u>						
Local Health Center	113,308	0	113,308	127,880	140,880	27,572
Alcohol and Drug Programs	12,990	0	12,990	10,500	15,500	2,510
Other Local Health Services	3,200	0	3,200	4,000	4,000	800
Appropriation to State	12,300	0	12,300	12,300	12,300	0
Aid to Dependent Children	0	0	0	700	700	700
Sanitation Education/Information	0	0	0	0	71,048	71,048

(Continued)

Exhibit C-5

Henderson 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	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Public Health and Welfare (Cont.)</u>						
Waste Pickup	\$ 27,550	\$ 0	\$ 27,550	\$ 48,600	\$ 64,471	\$ 36,921
<u>Social, Cultural, and Recreational Services</u>						
Adult Activities	2,807	0	2,807	5,808	5,808	3,001
Senior Citizens Assistance	14,700	0	14,700	17,500	17,500	2,800
Libraries	44,000	0	44,000	44,000	44,000	0
Other Social, Cultural, and Recreational	20,300	0	20,300	20,700	20,700	400
<u>Agriculture and Natural Resources</u>						
Agriculture Extension Service	64,770	0	64,770	66,063	69,563	4,793
Soil Conservation	17,414	0	17,414	20,124	20,124	2,710
Flood Control	61,300	(42,900)	18,400	18,400	18,400	0
<u>Other Operations</u>						
Tourism	10,827	0	10,827	8,500	12,500	1,673
Industrial Development	9,910	0	9,910	7,000	9,950	40
Veterans' Services	39,438	0	39,438	45,118	48,878	9,440
Other Charges	293,007	0	293,007	365,000	343,000	49,993
Employee Benefits	35,348	0	35,348	26,000	51,460	16,112
Miscellaneous	182,427	0	182,427	189,900	194,900	12,473
<u>Principal on Debt</u>						
General Government	65,000	0	65,000	65,000	65,000	0
<u>Interest on Debt</u>						
General Government	12,150	0	12,150	6,075	12,150	0
Total Expenditures	\$ 7,961,872	\$ (216,813)	\$ 7,745,059	\$ 6,552,298	\$ 8,635,712	\$ 890,653

(Continued)

Exhibit C-5

Henderson 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	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Excess (Deficiency) of Revenues Over Expenditures	\$ 103,978 \$	216,813 \$	320,791 \$	0 \$	(809,995) \$	1,130,786
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 315,997 \$	0 \$	315,997 \$	0 \$	534,339 \$	(218,342)
Transfers In	0	0	0	0	86,919	(86,919)
Total Other Financing Sources	\$ 315,997 \$	0 \$	315,997 \$	0 \$	621,258 \$	(305,261)
Net Change in Fund Balance	\$ 419,975 \$	216,813 \$	636,788 \$	0 \$	(188,737) \$	825,525
Fund Balance, July 1, 2012	2,305,744	(216,813)	2,088,931	1,050,000	1,050,000	1,038,931
Fund Balance, June 30, 2013	\$ 2,725,719 \$	0 \$	2,725,719 \$	1,050,000 \$	861,263 \$	1,864,456

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

Exhibit C-6

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 222,099	\$ 218,056	\$ 218,056	\$ 4,043
Other Local Revenues	5,973	0	0	5,973
State of Tennessee	1,765,848	2,330,541	2,330,541	(564,693)
Federal Government	6,897	0	0	6,897
Total Revenues	<u>\$ 2,000,817</u>	<u>\$ 2,548,597</u>	<u>\$ 2,548,597</u>	<u>\$ (547,780)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 117,357	\$ 117,061	\$ 128,198	\$ 10,841
Highway and Bridge Maintenance	837,151	1,217,736	1,217,736	380,585
Operation and Maintenance of Equipment	416,279	519,195	535,695	119,416
Other Charges	106,320	121,600	125,850	19,530
Employee Benefits	12,702	27,200	25,200	12,498
Capital Outlay	32,126	681,000	651,113	618,987
Total Expenditures	<u>\$ 1,521,935</u>	<u>\$ 2,683,792</u>	<u>\$ 2,683,792</u>	<u>\$ 1,161,857</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 478,882</u>	<u>\$ (135,195)</u>	<u>\$ (135,195)</u>	<u>\$ 614,077</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 30,702	\$ 0	\$ 0	\$ 30,702
Total Other Financing Sources	<u>\$ 30,702</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 30,702</u>
Net Change in Fund Balance	\$ 509,584	\$ (135,195)	\$ (135,195)	\$ 644,779
Fund Balance, July 1, 2012	<u>780,674</u>	<u>650,000</u>	<u>650,000</u>	<u>130,674</u>
Fund Balance, June 30, 2013	<u>\$ 1,290,258</u>	<u>\$ 514,805</u>	<u>\$ 514,805</u>	<u>\$ 775,453</u>

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

Exhibit D

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,666,402
Equity in Pooled Cash and Investments	81,563
Accounts Receivable	2,697
Due from Other Governments	675,022
Taxes Receivable	474,233
Allowance for Uncollectible Taxes	<u>(11,347)</u>
Total Assets	<u>\$ 2,888,570</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 1,219,796
Due to Litigants, Heirs, and Others	<u>1,668,774</u>
Total Liabilities	<u>\$ 2,888,570</u>

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

HENDERSON COUNTY, TENNESSEE

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

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

Administrative Office:

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net 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 Henderson County does not have any business-type activities to report. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Henderson County School Department component unit only reports governmental activities in the government-wide financial statements.

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

Henderson County issues all debt for the discretely presented Henderson County School Department. 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 Henderson County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, 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; however, Henderson County has no proprietary funds to report. An emphasis is placed on major funds within the governmental category.

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

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

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not

measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

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

Henderson County reports the following major governmental funds:

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

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

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

Additionally, Henderson County reports the following fund type:

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

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

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

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

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 Henderson 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 and General Debt Service funds. Henderson County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit 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 1.17 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 \$10,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

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 balance sheet. These revenues are from three sources: current and delinquent property taxes and other deferred/unavailable revenue. 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 county's policy to permit employees to accumulate earned but unused vacation leave, which will be paid upon separation from

county service. All vacation pay is accrued when incurred in the government-wide financial statements for the county. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

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

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net 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, landfill postclosure care costs, and other postemployment benefits, are recognized to the extent that the liabilities have matured (come due for payment) each period.

7. Net 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.

As of June 30, 2013, Henderson County had \$13,263,594 in outstanding debt for capital purposes of the discretely presented Henderson County School Department. In accordance with state statutes, certain county school debt proceeds must be shared with other public school systems in the county (City of Lexington School System) based on an average daily attendance proration. This debt is a liability of Henderson County, but the capital assets acquired are reported in the financial statements of the School Department and the City of Lexington School System. Therefore, Henderson 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 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. Prior-period Adjustment

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 Statement No. 65, debt issuance costs become period costs. An adjustment to beginning net position totaling \$432,938 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 Henderson County School Department

Exhibit I-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net 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 change in net position of governmental activities reported in the government-wide Statement of Activities.

Discretely Presented Henderson County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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. All annual appropriations lapse at fiscal year end.

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

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

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

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Henderson County and the Henderson County School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net 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 and 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 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets				
Not Depreciated:				
Land	\$ 2,133,209	\$ 0	\$ 0	\$ 2,133,209
Total Capital Assets				
Not Depreciated	\$ 2,133,209	\$ 0	\$ 0	\$ 2,133,209
Capital Assets Depreciated:				
Buildings and				
Improvements	\$ 16,980,913	\$ 104,464	\$ 0	\$ 17,085,377
Infrastructure	2,341,431	60,204	0	2,401,635
Other Capital Assets	5,420,877	392,452	136,175	5,677,154
Total Capital Assets				
Depreciated	\$ 24,743,221	\$ 557,120	\$ 136,175	\$ 25,164,166
Less Accumulated				
Depreciation For:				
Buildings and				
Improvements	\$ 2,468,887	\$ 629,997	\$ 0	\$ 3,098,884
Infrastructure	989,584	142,433	0	1,132,017
Other Capital Assets	4,249,309	285,004	136,175	4,398,138
Total Accumulated				
Depreciation	\$ 7,707,780	\$ 1,057,434	\$ 136,175	\$ 8,629,039

Governmental Activities (Cont.):

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Governmental Activities				
Capital Assets, Net	\$ 19,168,650	\$ (500,314)	\$ 0	\$ 18,668,336

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

Governmental Activities:

General Government	\$ 3,742
Administration of Justice	159,555
Public Safety	618,789
Public Health and Welfare	51,646
Highway/Public Works	223,702
Total Depreciation Expense - Governmental Activities	\$ 1,057,434

Discretely Presented Henderson County School Department

Governmental Activities:

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Not Depreciated:				
Land	\$ 933,161	\$ 0	\$ 0	\$ 933,161
Construction in Progress	0	132,500	0	132,500
Total Capital Assets Not Depreciated	\$ 933,161	\$ 132,500	\$ 0	\$ 1,065,661
Capital Assets Depreciated:				
Building and Improvements	\$ 39,033,839	\$ 104,800	\$ 0	\$ 39,138,639
Infrastructure	99,606	0	0	99,606
Other Capital Assets	1,568,161	143,281	45,300	1,666,142
Total Capital Assets Depreciated	\$ 40,701,606	\$ 248,081	\$ 45,300	\$ 40,904,387

Governmental Activities (Cont.):

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Less Accumulated Depreciation For:				
Building and Improvements	\$ 22,974,467	\$ 1,140,888	\$ 0	\$ 24,115,355
Infrastructure	415	4,980	0	5,395
Other Capital Assets	463,719	239,973	19,366	684,326
Total Accumulated Depreciation	<u>\$ 23,438,601</u>	<u>\$ 1,385,841</u>	<u>\$ 19,366</u>	<u>\$ 24,805,076</u>
Total Capital Assets Depreciated, Net	<u>\$ 17,263,005</u>	<u>\$ (1,137,760)</u>	<u>\$ 25,934</u>	<u>\$ 16,099,311</u>
Governmental Activities Capital Assets, Net	<u>\$ 18,196,166</u>	<u>\$ (1,005,260)</u>	<u>\$ 25,934</u>	<u>\$ 17,164,972</u>

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

Governmental Activities:

Instruction	\$ 973,736
Support Services	329,178
Operation of Non-Instructional Services	<u>82,927</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,385,841</u>

C. Interfund Receivable, Payable, and Transfer

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

Due to/from Other Funds

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 291

This balance 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.

Due to/from Primary Government and Component Unit:

Receivable Fund	Payable Fund	Amount
Primary Government: General Debt Service	Component Unit: School Department: General Purpose School	\$ 1,681,394

The due to the primary government is the balance of another loan payable issued by the county for the School Department. The School Department has agreed to contribute the funds necessary to retire this loan.

Interfund Transfer:

Interfund transfers for the year ended June 30, 2013, consisted of the following amount:

Discretely Presented Henderson County School Department

	<u>Transfer In</u>
	General Purpose School Fund
<u>Transfer Out</u>	
Nonmajor governmental fund	\$ 14,720

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

D. Long-term Obligations

Primary Government

General Obligation Bonds, Notes, and Other Loan

Henderson 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, the capital outlay note, and other loan outstanding were issued for original terms of up to 21 years for bonds, up to eight years for the note, and up to 21 years for the other loan. Repayment terms are generally

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

General obligation bonds, the capital outlay note, and the other loan 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	1.75 to 4.75%	6-30-29	\$ 18,750,000	\$ 14,815,000
General Obligation Bonds - Refunding	1 to 5	4-1-24	19,980,000	12,230,000
Capital Outlay Note	3	4-1-18	405,000	340,000
Other Loan	1.38	12-31-31	1,800,582	1,681,394

In prior years, Henderson County entered into an agreement with the State of Tennessee to receive funding from the state revolving loan fund program. Under this agreement, the program made \$1,934,199 available for loan to the Henderson County School Department for wastewater facility improvements at four elementary schools. As of June 30, 2013, the School Department had drawn \$1,800,582 of the available \$1,934,199 loan. The improvements were completed during the prior year, and no additional funds are expected to be received. The loan is repayable at a 1.38 percent interest rate. In addition, the county pays an administrative fee in connection with this loan.

The annual requirements to amortize all general obligation bonds, the note, and the other loan 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	\$ 2,355,000	\$ 1,036,135	\$ 3,391,135
2015	2,425,000	955,811	3,380,811
2016	2,335,000	873,337	3,208,337
2017	2,120,000	788,935	2,908,935
2018	1,585,000	702,711	2,287,711
2019-2023	8,115,000	2,644,966	10,759,966
2024-2028	6,810,000	1,175,783	7,985,783
2029	1,300,000	58,900	1,358,900
Total	\$ 27,045,000	\$ 8,236,578	\$ 35,281,578

Year Ending June 30	Note		
	Principal	Interest	Total
2014	\$ 65,000	\$ 10,200	\$ 75,200
2015	65,000	8,250	73,250
2016	70,000	6,300	76,300
2017	70,000	4,200	74,200
2018	70,000	2,100	72,100
Total	\$ 340,000	\$ 31,050	\$ 371,050

Year Ending June 30	Other Loan			
	Principal	Interest	Other Fees	Total
2014	\$ 80,568	\$ 22,692	\$ 1,344	\$ 104,604
2015	81,444	21,576	1,284	104,304
2016	82,572	20,448	1,212	104,232
2017	83,724	19,296	1,152	104,172
2018	84,876	18,144	1,080	104,100
2019-2023	442,428	72,672	4,380	519,480
2024-2028	474,012	41,088	2,556	517,656
2029-2032	351,770	8,691	616	361,077
Total	\$ 1,681,394	\$ 224,607	\$ 13,624	\$ 1,919,625

There is \$5,080,518 available in the debt service funds to service long-term debt. Debt per capita, including bonds, the note, and the other loan totaled \$1,047, based on the 2010 federal census.

The School Department is currently servicing some of the debt issued on its behalf by the primary government as noted in the table below. This debt is reflected in the government-wide financial statements as Due to the Primary Government in the financial statements of the School Department and as Due from Component Units in the financial statements of the primary government. In the prior year, this debt was reflected as debt of the School Department; however, this debt has been reclassified as debt of the primary government because the primary government is legally obligated to repay the debt.

Description of Indebtedness	Outstanding 6-30-13
<u>Other Loan</u>	
<u>Payable through General Purpose School Fund</u>	
Clean Water State Revolving Fund	\$ 1,681,394

Changes in Long-term Obligations

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

Governmental Activities:

	Bonds	Notes	Other Loan
Balance, July 1, 2012	\$ 28,510,000	\$ 1,080,046	\$ 0
Reclassification of School Debt	0	0	1,760,378
Additions	4,035,000	0	0
Reductions	(5,500,000)	(740,046)	(78,984)
Balance, June 30, 2013	<u>\$ 27,045,000</u>	<u>\$ 340,000</u>	<u>\$ 1,681,394</u>
Balance Due Within One Year	<u>\$ 2,355,000</u>	<u>\$ 65,000</u>	<u>\$ 80,568</u>

	Compensated Absences	Landfill Postclosure Care Costs	Other Postemployment Benefits
Balance, July 1, 2012	\$ 107,097	\$ 96,599	\$ 132,376
Additions	140,443	1,769	32,674
Reductions	(143,178)	(3,500)	(3,383)
Balance, June 30, 2013	<u>\$ 104,362</u>	<u>\$ 94,868</u>	<u>\$ 161,667</u>
Balance Due Within One Year	<u>\$ 104,362</u>	<u>\$ 3,500</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	\$ 29,427,291
Less: Balance Due Within One Year	(2,608,430)
Less: Deferred Discount on Debt	(8,309)
Add: Unamortized Premium on Debt	<u>85,490</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 26,896,042</u>

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

Current and Advance Refunding

On July 12, 2012, Henderson County issued \$4,035,000 in general obligation refunding bonds to retire the current obligations for the \$430,000 School

Bonds, Series 2001; \$139,442 School Capital Outlay Note, Series 2002B; \$415,000 Capital Outlay Note, Series 2005A; and \$51,600 Refunding Capital Outlay Note, Series 2005C. Also, the refunding bonds were used to advance refund \$2,715,000 School Bonds, Series 2004, by providing resources to purchase U.S. government securities that were placed in an irrevocable trust to generate resources for all future debt service payments of the refunded bonds until they are called on April 1, 2014. As a result, the refunded bonds are considered defeased, and the liability has been removed from the county's long-term debt. Also, as a result of the refunding, total debt service payments over the next 12 years will be reduced by \$287,698 and an economic gain of \$264,941 was obtained.

Discretely Presented Henderson County School Department

Changes in Long-term Obligations

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

Governmental Activities:

	Other Loan	Other Postemployment Benefits
Balance, July 1, 2012	\$ 1,760,378	\$ 662,489
Additions	0	287,371
Reductions	0	(119,536)
Reclassification of School Debt	(1,760,378)	0
Balance, June 30, 2013	<u>\$ 0</u>	<u>\$ 830,324</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 0</u>

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

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Henderson County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2013, were \$91,500 and \$34,726, 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**

Liability, Property, Casualty, and Workers' Compensation Insurance

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

Employee Health Insurance

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

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

B. **Accounting Changes**

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; 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. Henderson 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.

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 \$432,938 has been recognized for accumulated debt issuance costs on the government-wide financial statements.

C. Subsequent Event

On August 1, 2013, Henderson County issued \$5,000,000 in rural school bonds.

D. Contingent Liabilities

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

E. Changes in Administration

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

F. Landfill Closure/Postclosure Care Costs

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

State and federal laws and regulations require the city and county to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Henderson County and the City of Lexington closed their sanitary landfill in 1997. The \$94,868 reported as postclosure care liability at June 30, 2013, represents the county's 50 percent share of the amounts based on what it would cost to perform all postclosure care in 2013. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

G. Joint Ventures

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

The Beech River Regional Airport was established through a joint operations agreement between Decatur County, Henderson County, the City of Parsons, and the City of Lexington. The agreement created the Beech River Regional Airport Board to plan, develop, and maintain a regional airport that will economically benefit all residents of the two-county area. The board comprises nine members, two from each governmental unit and one appointed by the governmental entities on a one-year rotation basis. Each participant retains a 25 percent ownership in the airport; however, participants do not retain an equity interest in the airport. During the year ended June 30, 2013, the county appropriated an operating subsidy of \$47,083 to the airport.

The Everett Horn Public Library is a joint venture between Henderson County and the City of Lexington. It is operated by an appointed seven-member board. The library is jointly funded by the county and the City of Lexington with additional revenues received from private contributions. During the year ended June 30, 2013, the county contributed \$44,000 to the library.

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

Administrative Offices:

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

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

Everett Horn Public Library
702 West Church Street
Lexington, TN 38351

H. Retirement Commitments

Information for this footnote for the year ended June 30, 2013, was not available from the state Treasurer's Office in time for inclusion in this report; therefore, the information presented below is for the fiscal year ended June 30, 2012.

Plan Description

County Employees

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

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

PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

County Officials

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

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

Funding Policy

County Employees

Henderson County requires employees to contribute five percent of their earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2012, was 8.7 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

County Officials

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

Annual Pension Cost

County Employees

For the year ended June 30, 2012, Henderson County’s annual pension cost of \$563,161 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected three percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The county’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009, was 13 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

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

County Officials

For the year ended June 30, 2012, Henderson County’s annual pension cost of \$42,012 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation using the frozen entry age actuarial cost method.

Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected three percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The county's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009, was 20 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

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

Funded Status and Funding Progress

County Employees

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

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

County Officials

As of July 1, 2011, the most recent actuarial valuation date, the plan was 86.38 percent funded. The actuarial accrued liability for benefits was \$1.74 million, and the actuarial value of assets was \$1.51 million, resulting in

an unfunded actuarial accrued liability (UAAL) of \$.24 million. The covered payroll (annual payroll of active employees covered by the plan) was \$.76 million, and the ratio of the UAAL to the covered payroll was 31.2 percent.

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

SCHOOL TEACHERS

Plan Description

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

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2012, was 9.05 percent of annual covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2012, 2011, and 2010 were \$1,259,735, \$1,211,844, and \$802,877 respectively, equal to the required contributions for each year.

I. Other Postemployment Benefits (OPEB)

Plan Description

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

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year ended June 30, 2013, Henderson County and the School Department contributed \$3,383 and \$119,536, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 289,000	\$ 33,000
Interest on the NOPEBO	26,500	5,295
Adjustment to the ARC	(28,129)	(5,621)
Annual OPEB cost	\$ 287,371	\$ 32,674
Less: Amount of contribution	(119,536)	(3,383)
Increase/Decrease in NOPEBO	\$ 167,835	\$ 29,291
Net OPEB obligation, 7-1-12	662,489	132,376
Net OPEB obligation, 6-30-13	\$ 830,324	\$ 161,667

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	\$ 212,978	62%	\$ 492,203
6-30-12	"	284,789	40	662,489
6-30-13	"	287,371	42	830,324
6-30-11	Local Government Group	46,144	10	101,953
6-30-12	"	32,749	7	132,376
6-30-13	"	32,674	10	161,667

Funding Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

In the July 1, 2011, actuarial valuation for the Local Government Group and the Local Education 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.

J. Office of Central Accounting, Budgeting, and Purchasing

Office of Director of Finance

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

K. Purchasing Law

The County Financial Management System of 1981 provides for the finance director or a deputy appointed by her to serve as the county purchasing agent. The finance director serves as the purchasing agent for Henderson County. The Henderson County Financial Management Committee, with the assistance of the director of finance, established a purchasing system for the county that requires the issuance of purchase orders. The Financial

Management Committee has also established that competitive bids are required to be solicited through newspaper advertisement on all purchases estimated to exceed \$10,000.

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

A. General Information

Component Unit

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

B. Summary of Significant Accounting Policies

1. Basis of Presentation

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

Proprietary Funds

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

2. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The district's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

3. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

a. Cash and Cash Equivalents

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

b. Receivables

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

c. Capital Assets

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

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

d. Operating Revenues and Expenses

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

e. 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 district does not have any items that qualify for reporting in this category as of June 30, 2013.

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 district does not have any items that qualify for reporting in this category as of June 30, 2013.

f. Net Position Flow Assumption

Sometimes the district will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the district's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

g. Net Position

In the district's financial statements, equity is classified as net position and displayed in three components:

Net investments 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.

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.

Unrestricted net position – All other net position that does not meet the definition of restricted or net investment in capital assets.

C. Revenues

Revenues are derived from telephone customers in the area served by the district. Telephone companies and the Tennessee Emergency Communications Board collect monthly fees and remit them to the district.

D. Risk Management

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

E. Contract Agreement

In a prior year, the district entered into an agreement with Henderson County whereby the board of the district is charged with the responsibilities of establishing and collecting service fees; seeking additional funding and issuing bonds, if necessary; and creating a dispatch service and determining the mode. Further, the parties agreed that the county would serve as the administrative unit with the responsibility to operate the dispatch facility in a manner consistent with statutory requirements. The district has agreed to remit funds to the county to cover a portion of employees' wages and benefits. This year the district remitted \$133,701 to the county.

F. Capital Assets

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

Description	Balance			Balance 6-30-13
	7-1-12	Increases	Decreases	
Capital Assets Depreciated:				
Buildings and Improvements	\$ 1,962	\$ 0	\$ 0	\$ 1,962
Office Equipment	10,293	0	0	10,293
Communications Equipment	450,795	0	0	450,795
Vehicles	12,800	29,126	0	41,926
Total Capital Assets Depreciated	<u>\$ 475,850</u>	<u>\$ 29,126</u>	<u>\$ 0</u>	<u>\$ 504,976</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 938	\$ 49	\$ 0	\$ 987
Office Equipment	10,293	0	0	10,293
Communications Equipment	146,698	81,005	0	227,703
Vehicles	12,800	1,942	0	14,742
Total Capital Assets				
Total Accumulated Depreciation	<u>\$ 170,729</u>	<u>\$ 82,996</u>	<u>\$ 0</u>	<u>\$ 253,725</u>
Total Capital Assets, Net	<u>\$ 305,121</u>	<u>\$ (53,870)</u>	<u>\$ 0</u>	<u>\$ 251,251</u>

Depreciation expense of \$82,996 was recorded by the district.

G. Stewardship, Compliance, and Accountability

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

1. Deposits and Investments Laws and Regulations

The district's investment policies are governed by state statute. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit, and savings accounts. The district has no policy that further limits allowable investments. At June 30, 2013, investments consisted entirely of certificates of deposit with original maturities greater than three months at a local bank. Investments are carried at cost, which approximates fair value.

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

district's deposits at year-end were not exposed to custodial credit risk due to being entirely covered by depository insurance (a combination of federal depository insurance with the excess covered by the state's Bank Collateral Pool).

2. Budget Appropriations

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

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

H. Estimates and Assumptions

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

I. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) 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. The district early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which has an effective date of June 30, 2014.

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 organization 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.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

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

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>County Officials</u>						
7-1-11	\$ 1,506	\$ 1,744	\$ 238	86.38 %	\$ 762	31.20 %
7-1-09	1,104	1,353	250	81.56	756	33.00
7-1-07	928	1,039	111	89.32	594	18.69
<u>County Employees</u>						
7-1-11	7,293	8,444	1,151	86.37	5,875	19.59
7-1-09	4,773	4,855	82	98.31	5,158	1.59
7-1-07	3,435	3,524	89	97.47	4,588	1.94

Information for this exhibit for the year ended June 30, 2013, was not available from the state Treasurer's Office in time for inclusion in this report; therefore, the information presented above is for the fiscal year ended June 30, 2012.

Exhibit E-2

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

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
<u>PRIMARY GOVERNMENT</u>							
Local Government Group	7-1-09	\$ 0	\$ 269	\$ 269	0 %	\$ 3,843	7 %
"	7-1-10	0	290	290	0	3,947	7
"	7-1-11	0	218	218	0	4,632	5
<u>DISCRETELY PRESENTED HENDERSON COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-09	0	2,048	2,048	0	9,673	21
"	7-1-10	0	2,111	2,111	0	9,770	22
"	7-1-11	0	2,684	2,684	0	10,756	25

HENDERSON COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 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 the presentation of 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 Henderson County’s garbage collection operations.

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

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

Debt Service Fund

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

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

Exhibit F-1

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

	Special Revenue Funds				Debt Service Fund		Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total	Rural Debt Service		
\$	0	0	1,056,531	1,056,531	0	0	1,056,531
	140,513	68,754	0	209,267	1,247,559	0	1,456,826
	200	0	43,187	43,387	0	0	43,387
	0	0	0	0	105,292	0	105,292
	581,472	0	0	581,472	0	0	581,472
	(13,912)	0	0	(13,912)	0	0	(13,912)
\$	708,273	68,754	1,099,718	1,876,745	1,352,851	0	3,229,596

ASSETS

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

Total Assets

LIABILITIES

Due to Other Funds
 Total Liabilities

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes
 Deferred Delinquent Property Taxes
 Other Deferred/Unavailable Revenue
 Total Deferred Inflows of Resources

FUND BALANCES

Restricted:
 Restricted for Public Safety
 Restricted for Public Health and Welfare
 Restricted for Debt Service
 Committed:
 Committed for Finance
 Committed for Administration of Justice
 Committed for Public Health and Welfare
 Committed for Debt Service
 Total Fund Balances

Total Liabilities, Deferred Inflows of Resources, and Fund Balances

\$	0	0	291	291	0	0	291
\$	0	0	291	291	0	0	291
\$	547,371	0	0	547,371	0	0	547,371
	18,389	0	0	18,389	0	0	18,389
	0	0	0	0	52,015	0	52,015
\$	565,760	0	0	565,760	52,015	0	617,775
\$	0	68,754	0	68,754	0	0	68,754
	63,665	0	0	63,665	0	0	63,665
	0	0	0	0	1,266,004	0	1,266,004
	0	0	735,710	735,710	0	0	735,710
	0	0	363,717	363,717	0	0	363,717
	78,848	0	0	78,848	0	0	78,848
	0	0	0	0	34,832	0	34,832
\$	142,513	68,754	1,099,427	1,310,694	1,300,836	0	2,611,530
\$	708,273	68,754	1,099,718	1,876,745	1,352,851	0	3,229,596

Exhibit F-2

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

	Special Revenue Funds				Debt Service Fund		Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total	Rural Debt Service		
<u>Revenues</u>							
Local Taxes	\$ 596,474	\$ 0	\$ 0	\$ 596,474	\$ 609,839	\$ 1,206,313	
Fines, Forfeitures, and Penalties	0	30,356	0	30,356	0	30,356	
Charges for Current Services	0	0	922,140	922,140	0	922,140	
Other Local Revenues	27,474	7,600	0	35,074	17,145	52,219	
State of Tennessee	16,294	0	0	16,294	0	16,294	
Other Governments and Citizens Groups	0	0	0	0	289,025	289,025	
Total Revenues	\$ 640,242	\$ 37,956	\$ 922,140	\$ 1,600,338	\$ 916,009	\$ 2,516,347	
<u>Expenditures</u>							
Current:							
Finance	\$ 0	\$ 0	\$ 456,462	\$ 456,462	\$ 0	\$ 456,462	
Administration of Justice	0	0	452,331	452,331	0	452,331	
Public Safety	0	132,781	0	132,781	0	132,781	
Public Health and Welfare	605,567	0	0	605,567	0	605,567	
Debt Service:							
Principal on Debt	0	0	0	0	680,000	680,000	
Interest on Debt	0	0	0	0	88,488	88,488	
Other Debt Service	0	0	0	0	6,215	6,215	
Total Expenditures	\$ 605,567	\$ 132,781	\$ 908,793	\$ 1,647,141	\$ 774,703	\$ 2,421,844	
Excess (Deficiency) of Revenues Over Expenditures	\$ 34,675	\$ (94,825)	\$ 13,347	\$ (46,803)	\$ 141,306	\$ 94,503	
Net Change in Fund Balances	\$ 34,675	\$ (94,825)	\$ 13,347	\$ (46,803)	\$ 141,306	\$ 94,503	
Fund Balance, July 1, 2012	107,838	163,579	1,086,080	1,357,497	1,159,530	2,517,027	
Fund Balance, June 30, 2013	\$ 142,513	\$ 68,754	\$ 1,099,427	\$ 1,310,694	\$ 1,300,836	\$ 2,611,530	

Exhibit F-3

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 596,474	\$ 575,834	\$ 667,814	\$ (71,340)
Other Local Revenues	27,474	34,000	34,000	(6,526)
State of Tennessee	16,294	0	13,379	2,915
Total Revenues	<u>\$ 640,242</u>	<u>\$ 609,834</u>	<u>\$ 715,193</u>	<u>\$ (74,951)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Education/Information	\$ 605,567	\$ 490,826	\$ 686,185	\$ 80,618
Total Expenditures	<u>\$ 605,567</u>	<u>\$ 490,826</u>	<u>\$ 686,185</u>	<u>\$ 80,618</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 34,675</u>	<u>\$ 119,008</u>	<u>\$ 29,008</u>	<u>\$ 5,667</u>
Net Change in Fund Balance	\$ 34,675	\$ 119,008	\$ 29,008	\$ 5,667
Fund Balance, July 1, 2012	<u>107,838</u>	<u>120,000</u>	<u>120,000</u>	<u>(12,162)</u>
Fund Balance, June 30, 2013	<u>\$ 142,513</u>	<u>\$ 239,008</u>	<u>\$ 149,008</u>	<u>\$ (6,495)</u>

Exhibit F-4

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 30,356	\$ 36,000	\$ 136,000	\$ (105,644)
Other Local Revenues	7,600	0	0	7,600
Total Revenues	<u>\$ 37,956</u>	<u>\$ 36,000</u>	<u>\$ 136,000</u>	<u>\$ (98,044)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 132,781	\$ 55,050	\$ 155,050	\$ 22,269
Total Expenditures	<u>\$ 132,781</u>	<u>\$ 55,050</u>	<u>\$ 155,050</u>	<u>\$ 22,269</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (94,825)</u>	<u>\$ (19,050)</u>	<u>\$ (19,050)</u>	<u>\$ (75,775)</u>
Net Change in Fund Balance	\$ (94,825)	\$ (19,050)	\$ (19,050)	\$ (75,775)
Fund Balance, July 1, 2012	<u>163,579</u>	<u>112,756</u>	<u>112,756</u>	<u>50,823</u>
Fund Balance, June 30, 2013	<u><u>\$ 68,754</u></u>	<u><u>\$ 93,706</u></u>	<u><u>\$ 93,706</u></u>	<u><u>\$ (24,952)</u></u>

Exhibit F-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 609,839	\$ 400,000	\$ 400,000	\$ 209,839
Other Local Revenues	17,145	5,000	5,000	12,145
Other Governments and Citizens Groups	289,025	0	293,000	(3,975)
Total Revenues	<u>\$ 916,009</u>	<u>\$ 405,000</u>	<u>\$ 698,000</u>	<u>\$ 218,009</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 680,000	\$ 687,000	\$ 680,000	\$ 0
<u>Interest on Debt</u>				
Education	88,488	90,000	90,000	1,512
<u>Other Debt Service</u>				
Education	6,215	0	7,000	785
Total Expenditures	<u>\$ 774,703</u>	<u>\$ 777,000</u>	<u>\$ 777,000</u>	<u>\$ 2,297</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 141,306</u>	<u>\$ (372,000)</u>	<u>\$ (79,000)</u>	<u>\$ 220,306</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 293,000	\$ 0	\$ 0
Total Other Financing Sources	<u>\$ 0</u>	<u>\$ 293,000</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 141,306	\$ (79,000)	\$ (79,000)	\$ 220,306
Fund Balance, July 1, 2012	<u>1,159,530</u>	<u>853,834</u>	<u>853,834</u>	<u>305,696</u>
Fund Balance, June 30, 2013	<u>\$ 1,300,836</u>	<u>\$ 774,834</u>	<u>\$ 774,834</u>	<u>\$ 526,002</u>

Major Governmental Fund

General Debt Service Fund

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

Exhibit G

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,036,119	\$ 1,976,278	\$ 2,273,400	\$ (237,281)
Other Local Revenues	87,341	50,000	50,000	37,341
Other Governments and Citizens Groups	104,416	0	140,000	(35,584)
Total Revenues	<u>\$ 2,227,876</u>	<u>\$ 2,026,278</u>	<u>\$ 2,463,400</u>	<u>\$ (235,524)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 75,604	\$ 120,000	\$ 85,604	\$ 10,000
Education	1,678,984	1,217,878	1,690,000	11,016
<u>Interest on Debt</u>				
General Government	614,988	617,000	615,000	12
Education	411,223	502,000	452,000	40,777
<u>Other Debt Service</u>				
General Government	36,989	0	53,317	16,328
Education	67,402	0	67,402	0
Total Expenditures	<u>\$ 2,885,190</u>	<u>\$ 2,456,878</u>	<u>\$ 2,963,323</u>	<u>\$ 78,133</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (657,314)</u>	<u>\$ (430,600)</u>	<u>\$ (499,923)</u>	<u>\$ (157,391)</u>
<u>Other Financing Sources (Uses)</u>				
Refunding Debt Issued	\$ 4,035,000	\$ 0	\$ 4,035,000	\$ 0
Premiums on Debt Issued	72,810	0	72,810	0
Payments to Refunded Debt Escrow Agent	(4,038,488)	0	(4,038,488)	0
Total Other Financing Sources	<u>\$ 69,322</u>	<u>\$ 0</u>	<u>\$ 69,322</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (587,992)	\$ (430,600)	\$ (430,601)	\$ (157,391)
Fund Balance, July 1, 2012	<u>4,367,674</u>	<u>3,753,365</u>	<u>3,753,365</u>	<u>614,309</u>
Fund Balance, June 30, 2013	<u>\$ 3,779,682</u>	<u>\$ 3,322,765</u>	<u>\$ 3,322,764</u>	<u>\$ 456,918</u>

Fiduciary Funds

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

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

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

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

Exhibit H-1

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

	<u>Agency Funds</u>			<u>Total</u>
	<u>Cities - Sales Tax</u>	<u>City School ADA - Lexington</u>	<u>Constitu- tional Officers - Agency</u>	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 1,666,402	\$ 1,666,402
Equity in Pooled Cash and Investments	0	81,563	0	81,563
Accounts Receivable	0	325	2,372	2,697
Due from Other Governments	541,000	134,022	0	675,022
Taxes Receivable	0	474,233	0	474,233
Allowance for Uncollectible Taxes	0	(11,347)	0	(11,347)
Total Assets	<u>\$ 541,000</u>	<u>\$ 678,796</u>	<u>\$ 1,668,774</u>	<u>\$ 2,888,570</u>
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 541,000	\$ 678,796	\$ 0	\$ 1,219,796
Due to Litigants, Heirs, and Others	0	0	1,668,774	1,668,774
Total Liabilities	<u>\$ 541,000</u>	<u>\$ 678,796</u>	<u>\$ 1,668,774</u>	<u>\$ 2,888,570</u>

Exhibit H-2

Henderson 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	\$ 3,167,038	\$ 3,167,038	\$ 0
Due from Other Governments	540,450	541,000	540,450	541,000
Total Assets	\$ 540,450	\$ 3,708,038	\$ 3,707,488	\$ 541,000
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 540,450	\$ 3,708,038	\$ 3,707,488	\$ 541,000
Total Liabilities	\$ 540,450	\$ 3,708,038	\$ 3,707,488	\$ 541,000
<u>City School ADA - Lexington Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 85,757	\$ 1,348,352	\$ 1,352,546	\$ 81,563
Accounts Receivable	326	325	326	325
Due from Other Governments	134,063	134,022	134,063	134,022
Taxes Receivable	487,054	474,233	487,054	474,233
Allowance for Uncollectible Taxes	(9,409)	(11,347)	(9,409)	(11,347)
Total Assets	\$ 697,791	\$ 1,945,585	\$ 1,964,580	\$ 678,796
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 697,791	\$ 1,945,585	\$ 1,964,580	\$ 678,796
Total Liabilities	\$ 697,791	\$ 1,945,585	\$ 1,964,580	\$ 678,796
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 2,288,026	\$ 6,738,280	\$ 7,359,904	\$ 1,666,402
Accounts Receivable	3,795	2,372	3,795	2,372
Total Assets	\$ 2,291,821	\$ 6,740,652	\$ 7,363,699	\$ 1,668,774
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 2,291,821	\$ 6,740,652	\$ 7,363,699	\$ 1,668,774
Total Liabilities	\$ 2,291,821	\$ 6,740,652	\$ 7,363,699	\$ 1,668,774
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 2,288,026	\$ 6,738,280	\$ 7,359,904	\$ 1,666,402
Equity in Pooled Cash and Investments	85,757	4,515,390	4,519,584	81,563
Accounts Receivable	4,121	2,697	4,121	2,697
Due from Other Governments	674,513	675,022	674,513	675,022
Taxes Receivable	487,054	474,233	487,054	474,233
Allowance for Uncollectible Taxes	(9,409)	(11,347)	(9,409)	(11,347)
Total Assets	\$ 3,530,062	\$ 12,394,275	\$ 13,035,767	\$ 2,888,570
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,238,241	\$ 5,653,623	\$ 5,672,068	\$ 1,219,796
Due to Litigants, Heirs, and Others	2,291,821	6,740,652	7,363,699	1,668,774
Total Liabilities	\$ 3,530,062	\$ 12,394,275	\$ 13,035,767	\$ 2,888,570

Henderson County School Department

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

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

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

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

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

Exhibit I-1

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

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 19,148,771	\$ 4,400	\$ 1,475,467	\$ (17,668,904)
Support Services	9,384,286	316,067	626,670	(8,441,550)
Operation of Non-Instructional Services	2,778,098	762,450	1,997,593	(18,055)
Other Debt Service	314,457	0	0	(314,457)
Total Governmental Activities	\$ 31,625,612	\$ 1,082,917	\$ 4,099,730	\$ (26,442,965)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes			\$	2,952,117
Local Option Sales Taxes				2,581,927
Wheel Taxes				352,979
Other Local Taxes				2,022
Grants and Contributions Not Restricted to Specific Programs				20,619,047
Miscellaneous				49,712
Total General Revenues			\$	<u>26,557,804</u>
Change in Net Position			\$	114,839
Net Position, July 1, 2012				<u>23,258,696</u>
Net Position, June 30, 2013			\$	<u><u>23,373,535</u></u>

Exhibit I-2

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

	<u>Major Funds</u>		<u>Nonmajor Funds</u>	
	<u>General Purpose School</u>	<u>School Transpor - tation</u>	<u>Other Govern- mental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 6,597,651	\$ 387,975	\$ 1,102,646	\$ 8,088,272
Accounts Receivable	586	134	0	720
Due from Other Governments	462,446	0	70,598	533,044
Property Taxes Receivable	1,938,098	891,589	0	2,829,687
Allowance for Uncollectible Property Taxes	(46,372)	(21,333)	0	(67,705)
Total Assets	<u>\$ 8,952,409</u>	<u>\$ 1,258,365</u>	<u>\$ 1,173,244</u>	<u>\$ 11,384,018</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 1,824,436	\$ 839,301	\$ 0	\$ 2,663,737
Deferred Delinquent Property Taxes	56,524	25,955	0	82,479
Other Deferred/Unavailable Revenue	200,218	0	0	200,218
Total Deferred Inflows of Resources	<u>\$ 2,081,178</u>	<u>\$ 865,256</u>	<u>\$ 0</u>	<u>\$ 2,946,434</u>
<u>FUND BALANCES</u>				
Restricted:				
Restricted for Education	\$ 55,460	\$ 340,529	\$ 15,514	\$ 411,503
Restricted for Operation of Non-Instructional Services	0	0	757,730	757,730
Committed:				
Committed for Education	0	52,580	0	52,580
Assigned:				
Assigned for Education	73,623	0	400,000	473,623
Unassigned	6,742,148	0	0	6,742,148
Total Fund Balances	<u>\$ 6,871,231</u>	<u>\$ 393,109</u>	<u>\$ 1,173,244</u>	<u>\$ 8,437,584</u>
Total Deferred Inflows of Resources and Fund Balances	<u>\$ 8,952,409</u>	<u>\$ 1,258,365</u>	<u>\$ 1,173,244</u>	<u>\$ 11,384,018</u>

Exhibit I-3

Henderson County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
Discretely Presented Henderson 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)		\$ 8,437,584
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 933,161	
Add: construction in progress	132,500	
Add: buildings and improvements net of accumulated depreciation	15,023,284	
Add: infrastructure net of accumulated depreciation	94,211	
Add: other capital assets net of accumulated depreciation	<u>981,816</u>	17,164,972
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: contributions due on other loan payable on primary government debt	\$ (1,681,394)	
Less: other postemployment benefits liability	<u>(830,324)</u>	(2,511,718)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>282,697</u>
Net position of governmental activities (Exhibit A)		<u>\$ 23,373,535</u>

Exhibit I-4

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

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General Purpose School	School Transpor - tation	Other Govern- mental Funds	
<u>Revenues</u>				
Local Taxes	\$ 4,993,186	\$ 935,117	\$ 0	\$ 5,928,303
Licenses and Permits	2,015	0	0	2,015
Charges for Current Services	310,775	0	761,850	1,072,625
Other Local Revenues	188,583	1,517	1,039	191,139
State of Tennessee	20,317,125	0	0	20,317,125
Federal Government	222,913	0	4,045,195	4,268,108
Total Revenues	\$ 26,034,597	\$ 936,634	\$ 4,808,084	\$ 31,779,315
<u>Expenditures</u>				
Current:				
Instruction	\$ 16,476,169	\$ 0	\$ 1,406,229	\$ 17,882,398
Support Services	7,536,073	620,288	1,139,469	9,295,830
Operation of Non-Instructional Services	575,472	0	2,109,448	2,684,920
Capital Outlay	256,445	0	0	256,445
Debt Service:				
Other Debt Service	393,441	0	0	393,441
Total Expenditures	\$ 25,237,600	\$ 620,288	\$ 4,655,146	\$ 30,513,034
Excess (Deficiency) of Revenues Over Expenditures	\$ 796,997	\$ 316,346	\$ 152,938	\$ 1,266,281
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 4,617	\$ 0	\$ 0	\$ 4,617
Transfers In	14,720	0	0	14,720
Transfers Out	0	0	(14,720)	(14,720)
Total Other Financing Sources (Uses)	\$ 19,337	\$ 0	\$ (14,720)	\$ 4,617
Net Change in Fund Balances	\$ 816,334	\$ 316,346	\$ 138,218	\$ 1,270,898
Fund Balance, July 1, 2012	6,054,897	76,763	1,035,026	7,166,686
Fund Balance, June 30, 2013	\$ 6,871,231	\$ 393,109	\$ 1,173,244	\$ 8,437,584

Exhibit I-5

Henderson County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Henderson County School Department
For the Year Ended June 30, 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)		\$ 1,270,898
(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	\$ 380,581	
Less: current-year depreciation expense	<u>(1,385,841)</u>	(1,005,260)
(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	\$ (2,850)	
Less: loss on disposal of capital assets	<u>(23,084)</u>	(25,934)
(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	\$ 282,697	
Less: deferred delinquent property taxes and other deferred June 30, 2012	<u>(318,711)</u>	(36,014)
(4) The issuance of long-term debt (e.g., other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Add: contribution payments on other loan for primary government		78,984
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in other postemployment benefits liability		<u>(167,835)</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ 114,839</u>

Exhibit I-6

Henderson County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Henderson 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	\$ 344,916	\$ 757,730	\$ 1,102,646
Due from Other Governments	70,598	0	70,598
Total Assets	<u>\$ 415,514</u>	<u>\$ 757,730</u>	<u>\$ 1,173,244</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 15,514	\$ 0	\$ 15,514
Restricted for Operation of Non-Instructional Services	0	757,730	757,730
Assigned:			
Assigned for Education	400,000	0	400,000
Total Fund Balances	<u>\$ 415,514</u>	<u>\$ 757,730</u>	<u>\$ 1,173,244</u>

Exhibit I-7

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

	<u>Special Revenue Funds</u>		Total
	School	Central	Nonmajor
	Federal	Cafeteria	Governmental
	Projects		Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 761,850	\$ 761,850
Other Local Revenues	0	1,039	1,039
Federal Government	2,575,932	1,469,263	4,045,195
Total Revenues	<u>\$ 2,575,932</u>	<u>\$ 2,232,152</u>	<u>\$ 4,808,084</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,406,229	\$ 0	\$ 1,406,229
Support Services	1,139,469	0	1,139,469
Operation of Non-Instructional Services	0	2,109,448	2,109,448
Total Expenditures	<u>\$ 2,545,698</u>	<u>\$ 2,109,448</u>	<u>\$ 4,655,146</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 30,234</u>	<u>\$ 122,704</u>	<u>\$ 152,938</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	<u>\$ (14,720)</u>	<u>\$ 0</u>	<u>\$ (14,720)</u>
Total Other Financing Sources (Uses)	<u>\$ (14,720)</u>	<u>\$ 0</u>	<u>\$ (14,720)</u>
Net Change in Fund Balances	\$ 15,514	\$ 122,704	\$ 138,218
Fund Balance, July 1, 2012	400,000	635,026	1,035,026
Fund Balance, June 30, 2013	<u>\$ 415,514</u>	<u>\$ 757,730</u>	<u>\$ 1,173,244</u>

Exhibit I-8

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 4,993,186	\$ 0	\$ 4,993,186	\$ 4,443,785	\$ 4,485,785	\$ 507,401
Licenses and Permits	2,015	0	2,015	2,000	2,000	15
Charges for Current Services	310,775	0	310,775	275,000	310,000	775
Other Local Revenues	188,583	0	188,583	34,400	114,400	74,183
State of Tennessee	20,317,125	0	20,317,125	19,410,136	19,642,590	674,535
Federal Government	222,913	0	222,913	229,000	252,507	(29,594)
Total Revenues	\$ 26,034,597	\$ 0	\$ 26,034,597	\$ 24,394,321	\$ 24,807,282	\$ 1,227,315
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 12,965,958	\$ 0	\$ 12,965,958	\$ 12,504,300	\$ 13,051,300	\$ 85,342
Alternative Instruction Program	38,436	0	38,436	51,050	51,050	12,614
Special Education Program	2,292,523	0	2,292,523	2,042,500	2,342,500	49,977
Vocational Education Program	1,147,055	0	1,147,055	1,125,500	1,190,500	43,445
Adult Education Program	32,197	0	32,197	62,200	62,200	30,003
<u>Support Services</u>						
Attendance	78,411	0	78,411	86,300	85,800	7,389
Health Services	338,330	0	338,330	261,000	349,120	10,790
Other Student Support	681,163	0	681,163	672,000	772,000	90,837
Regular Instruction Program	1,180,045	0	1,180,045	1,176,500	1,227,000	46,955
Alternative Instruction Program	67,839	0	67,839	75,700	75,700	7,861
Special Education Program	210,353	0	210,353	230,800	242,759	32,406
Vocational Education Program	83,149	0	83,149	98,900	98,900	15,751
Adult Programs	92,952	0	92,952	96,600	96,600	3,648

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	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>						
Other Programs	\$ 147,344	\$ 0	\$ 147,344	\$ 0	\$ 149,733	\$ 2,389
Board of Education	445,318	0	445,318	509,810	570,810	125,492
Director of Schools	167,701	0	167,701	160,100	185,100	17,399
Office of the Principal	1,046,712	0	1,046,712	1,136,500	1,136,500	89,788
Fiscal Services	206,393	0	206,393	113,000	248,400	42,007
Operation of Plant	1,847,204	0	1,847,204	2,115,200	2,084,800	237,596
Maintenance of Plant	405,200	25,455	430,655	453,500	473,500	42,845
Transportation	537,959	0	537,959	261,900	541,900	3,941
<u>Operation of Non-Instructional Services</u>						
Food Service	70,256	4,500	74,756	79,600	79,600	4,844
Early Childhood Education	505,216	0	505,216	499,136	505,286	70
<u>Capital Outlay</u>						
Regular Capital Outlay	256,445	43,668	300,113	150,000	300,000	(113)
<u>Principal on Debt</u>						
Education	0	0	0	90,000	0	0
Interest on Debt						
Education	0	0	0	50,000	0	0
<u>Other Debt Service</u>						
Education	393,441	0	393,441	292,000	432,000	38,559
Total Expenditures	\$ 25,237,600	\$ 73,623	\$ 25,311,223	\$ 24,394,096	\$ 26,353,058	\$ 1,041,835
Excess (Deficiency) of Revenues Over Expenditures	\$ 796,997	\$ (73,623)	\$ 723,374	\$ 225	\$ (1,545,776)	\$ 2,269,150

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 4,617	\$ 0	\$ 4,617	\$ 0	\$ 0	\$ 4,617
Transfers In	14,720	0	14,720	0	0	14,720
Total Other Financing Sources	\$ 19,337	\$ 0	\$ 19,337	\$ 0	\$ 0	\$ 19,337
Net Change in Fund Balance	\$ 816,334	\$ (73,623)	\$ 742,711	\$ 225	\$ (1,545,776)	\$ 2,288,487
Fund Balance, July 1, 2012	6,054,897	0	6,054,897	4,921,946	4,921,496	1,133,401
Fund Balance, June 30, 2013	\$ 6,871,231	\$ (73,623)	\$ 6,797,608	\$ 4,922,171	\$ 3,375,720	\$ 3,421,888

Exhibit I-9

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Henderson County School Department
School 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	\$ 151,250	\$ 151,250	\$ (151,250)
Federal Government	2,575,932	1,378,709	2,579,963	(4,031)
Total Revenues	\$ 2,575,932	\$ 1,529,959	\$ 2,731,213	\$ (155,281)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 821,984	\$ 305,288	\$ 831,860	\$ 9,876
Special Education Program	529,470	555,963	529,577	107
Vocational Education Program	54,775	54,775	54,775	0
Adult Education Program	0	23,154	0	0
<u>Support Services</u>				
Health Services	0	90,000	89,999	89,999
Other Student Support	163,358	82,332	193,181	29,823
Regular Instruction Program	670,996	139,367	710,170	39,174
Special Education Program	120,356	116,853	120,356	0
Adult Programs	0	352	0	0
Transportation	184,759	161,873	184,759	0
Total Expenditures	\$ 2,545,698	\$ 1,529,957	\$ 2,714,677	\$ 168,979
Excess (Deficiency) of Revenues Over Expenditures	\$ 30,234	\$ 2	\$ 16,536	\$ 13,698
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (14,720)	\$ 0	\$ (16,536)	\$ 1,816
Total Other Financing Sources	\$ (14,720)	\$ 0	\$ (16,536)	\$ 1,816
Net Change in Fund Balance	\$ 15,514	\$ 2	\$ 0	\$ 15,514
Fund Balance, July 1, 2012	400,000	400,000	400,000	0
Fund Balance, June 30, 2013	\$ 415,514	\$ 400,002	\$ 400,000	\$ 15,514

Exhibit I-10

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 761,850	\$ 611,000	\$ 714,000	\$ 47,850
Other Local Revenues	1,039	0	0	1,039
Federal Government	1,469,263	1,283,000	1,395,203	74,060
Total Revenues	<u>\$ 2,232,152</u>	<u>\$ 1,894,000</u>	<u>\$ 2,109,203</u>	<u>\$ 122,949</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 2,109,448	\$ 1,807,222	\$ 2,112,656	\$ 3,208
Total Expenditures	<u>\$ 2,109,448</u>	<u>\$ 1,807,222</u>	<u>\$ 2,112,656</u>	<u>\$ 3,208</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 122,704</u>	<u>\$ 86,778</u>	<u>\$ (3,453)</u>	<u>\$ 126,157</u>
Net Change in Fund Balance	\$ 122,704	\$ 86,778	\$ (3,453)	\$ 126,157
Fund Balance, July 1, 2012	<u>635,026</u>	<u>625,000</u>	<u>625,000</u>	<u>10,026</u>
Fund Balance, June 30, 2013	<u>\$ 757,730</u>	<u>\$ 711,778</u>	<u>\$ 621,547</u>	<u>\$ 136,183</u>

Exhibit I-11

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 935,117	\$ 898,576	\$ 898,576	\$ 36,541
Other Local Revenues	1,517	0	0	1,517
Total Revenues	<u>\$ 936,634</u>	<u>\$ 898,576</u>	<u>\$ 898,576</u>	<u>\$ 38,058</u>
<u>Expenditures</u>				
<u>Support Services</u>				
Board of Education	\$ 18,472	\$ 25,000	\$ 25,000	\$ 6,528
Transportation	601,816	823,350	823,350	221,534
Total Expenditures	<u>\$ 620,288</u>	<u>\$ 848,350</u>	<u>\$ 848,350</u>	<u>\$ 228,062</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 316,346</u>	<u>\$ 50,226</u>	<u>\$ 50,226</u>	<u>\$ 266,120</u>
Net Change in Fund Balance	\$ 316,346	\$ 50,226	\$ 50,226	\$ 266,120
Fund Balance, July 1, 2012	<u>76,763</u>	<u>200,000</u>	<u>200,000</u>	<u>(123,237)</u>
Fund Balance, June 30, 2013	<u>\$ 393,109</u>	<u>\$ 250,226</u>	<u>\$ 250,226</u>	<u>\$ 142,883</u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

Henderson County, Tennessee
 Schedule of Changes in Long-term Notes, Other Loan, 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 Fund</u>									
Refunding Capital Outlay Note, Series 2005C	\$ 435,000	3.45 to 3.95 %	6-30-05	7-12-12	\$ 68,400	\$ 0	\$ 0	\$ 68,400	\$ 0
Capital Outlay Note, Series 2010	405,000	3	8-27-10	4-1-18	405,000	0	65,000	0	340,000
Total Payable through General Fund	\$				\$ 473,400	\$ 0	\$ 65,000	\$ 68,400	\$ 340,000
<u>Payable through General Debt Service Fund</u>									
School Capital Outlay Note, Series 2002B	640,000	2.45 to 4.5	12-19-02	7-12-12	\$ 140,046	\$ 0	\$ 604	\$ 139,442	\$ 0
Capital Outlay Note, Series 2005A	800,000	3.45 to 4	6-30-05	7-12-12	415,000	0	0	415,000	0
Refunding Capital Outlay Note, Series 2005C	330,000	3.45 to 3.95	6-30-05	7-12-12	51,600	0	0	51,600	0
Total Payable through General Debt Service Fund					\$ 606,646	\$ 0	\$ 604	\$ 606,042	\$ 0
Total Notes Payable	\$ 1,080,046				\$ 1,080,046	\$ 0	\$ 65,604	\$ 674,442	\$ 340,000
OTHER LOAN PAYABLE									
<u>Payable by School Department Contributions from the General Purpose School Fund to the General Debt Service Fund</u>									
Clean Water State Revolving Fund	1,800,582	1.38	7-31-10	12-31-31	\$ 1,760,378	\$ 0	\$ 78,984	\$ 0	\$ 1,681,394
Total Other Loan Payable					\$ 1,760,378	\$ 0	\$ 78,984	\$ 0	\$ 1,681,394
BONDS PAYABLE									
<u>Payable through General Debt Service Fund</u>									
High School Refunding Bonds, Series 2001	8,150,000	3.5 to 5	10-11-01	4-1-17	\$ 4,785,000	\$ 0	\$ 820,000	\$ 0	\$ 3,965,000
School Bonds, Series 2001	1,215,000	3.85 to 6	10-25-01	7-12-12	430,000	0	0	430,000	0
School Bonds, Series 2004	3,850,000	2 to 4.25	2-1-04	4-1-14	3,140,000	0	210,000	2,715,000	215,000
High School Refunding Bonds, Series 2004	2,840,000	2 to 3.875	4-1-04	4-1-20	2,505,000	0	130,000	0	2,375,000
G.O. Bonds, Series 2008	9,500,000	3.75 to 4.75	12-11-08	4-1-29	9,350,000	0	50,000	0	9,300,000
G.O. Bonds, Series 2009	5,400,000	1.75 to 4.15	11-10-09	6-30-29	5,325,000	0	25,000	0	5,300,000
G.O. Refunding Bonds, Series 2012	4,035,000	1 to 2.5	7-12-12	4-1-24	0	4,035,000	440,000	0	3,595,000
Total Payable through General Debt Service Fund					\$ 25,535,000	\$ 4,035,000	\$ 1,675,000	\$ 3,145,000	\$ 24,750,000
<u>Payable through Rural Debt Service Fund</u>									
Rural School Refunding Bonds, Series 2004	2,140,000	2 to 3.6	4-1-04	4-1-17	\$ 1,305,000	\$ 0	\$ 245,000	\$ 0	\$ 1,060,000
School Refunding Bonds, Series 2009	2,815,000	2 to 3	11-10-09	6-30-16	1,670,000	0	435,000	0	1,235,000
Total Payable through Rural Debt Service Fund					\$ 2,975,000	\$ 0	\$ 680,000	\$ 0	\$ 2,295,000
Total Bonds Payable	\$ 28,510,000				\$ 28,510,000	\$ 4,035,000	\$ 2,355,000	\$ 3,145,000	\$ 27,045,000

Exhibit J-2

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

Year Ending June 30	Note		
	Principal	Interest	Total
2014	\$ 65,000	\$ 10,200	\$ 75,200
2015	65,000	8,250	73,250
2016	70,000	6,300	76,300
2017	70,000	4,200	74,200
2018	70,000	2,100	72,100
Total	\$ 340,000	\$ 31,050	\$ 371,050

Year Ending June 30	Other Loan			
	Principal	Interest	Other Fees	Total
2014	\$ 80,568	\$ 22,692	\$ 1,344	\$ 104,604
2015	81,444	21,576	1,284	104,304
2016	82,572	20,448	1,212	104,232
2017	83,724	19,296	1,152	104,172
2018	84,876	18,144	1,080	104,100
2019	86,064	16,956	1,020	104,040
2020	87,252	15,768	948	103,968
2021	88,464	14,556	876	103,896
2022	89,700	13,320	804	103,824
2023	90,948	12,072	732	103,752
2024	92,208	10,812	660	103,680
2025	93,480	9,540	588	103,608
2026	94,788	8,232	516	103,536
2027	96,096	6,924	432	103,452
2028	97,440	5,580	360	103,380
2029	98,784	4,236	276	103,296
2030	100,164	2,856	204	103,224
2031	101,556	1,464	120	103,140
2032	51,266	135	16	51,417
Total	\$ 1,681,394	\$ 224,607	\$ 13,624	\$ 1,919,625

Year Ending June 30	Bonds		
	Principal	Interest	Total
2014	\$ 2,355,000	\$ 1,036,135	\$ 3,391,135
2015	2,425,000	955,811	3,380,811
2016	2,335,000	873,337	3,208,337
2017	2,120,000	788,935	2,908,935
2018	1,585,000	702,711	2,287,711
2019	1,740,000	648,063	2,388,063
2020	1,735,000	587,614	2,322,614
2021	1,440,000	525,538	1,965,538
2022	1,600,000	471,876	2,071,876
2023	1,600,000	411,875	2,011,875
2024	1,610,000	369,338	1,979,338
2025	1,300,000	285,938	1,585,938
2026	1,300,000	230,050	1,530,050
2027	1,300,000	173,925	1,473,925
2028	1,300,000	116,532	1,416,532
2029	1,300,000	58,900	1,358,900
Total	\$ 27,045,000	\$ 8,236,578	\$ 35,281,578

Exhibit J-3

Henderson County, Tennessee
Schedule of Transfers
Discretely Presented Henderson County School Department
For the Year Ended June 30, 2013

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	\$ <u>14,720</u>
Total Transfers Discretely Presented Henderson County School Department			\$ <u><u>14,720</u></u>

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	\$ 72,463	\$ 50,000	State Automobile Mutual Insurance Company
Road Supervisor:				
Harold Hensley (7-1-12 through 8-31-12)	Section 8-24-102, TCA	11,502	100,000	Western Surety Company
Steve Vineyard (9-1-12 through 6-30-13)	Section 8-24-102, TCA	57,511	100,000	"
Director of Schools	State Board of Education and County Board of Education	99,500 (1)	50,000	"
Trustee	Section 8-24-102, TCA, and County Commission	64,239 (2)	950,000	Auto-Owners Insurance Company
Assessor of Property:				
Danny Garner (7-1-12 through 8-31-12)	Section 8-24-102, TCA	10,456	25,000	Western Surety Company
Gary Pope (9-1-12 through 6-30-13)	Section 8-24-102, TCA	52,283	25,000	"
Director of Finance	County Commission	64,238 (2,3)	50,000	State Automobile Mutual Insurance Company
County Clerk	Section 8-24-102, TCA, and County Commission	64,239 (2)	50,000	"
Circuit, General Sessions, and Juvenile Courts Clerk	Section 8-24-102, TCA, and County Commission	70,513 (2,4)	50,000	"
Clerk and Master	Section 8-24-102, TCA, and County Commission	70,513 (2,4,5)	100,000	"
Register of Deeds	Section 8-24-102, TCA	64,239 (2)	25,000	"
Sheriff	Section 8-24-102, TCA	69,013 (6)	25,000	"
Employee Blanket Bonds:				
County Departments and Highway Department			150,000	Tennessee Risk Management Trust
School Department			150,000	"

- (1) Includes additional compensation of \$1,000 for the career ladder program.
- (2) Includes a certified public administrator supplement of \$1,500.
- (3) Does not include an additional salary supplement of \$1,550 from the School Department.
- (4) Includes additional compensation of \$6,274 for multiple courts.
- (5) Does not include special commissioner fees of \$12,077.
- (6) Does not include a law enforcement training supplement of \$600.

Exhibit J-5

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

	Special Revenue Funds					Debt Service Funds			Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service		
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 3,932,438	\$ 565,281	\$ 0	\$ 0	\$ 207,266	\$ 1,045,945	\$ 0	\$ 0	\$ 5,750,930
Trustee's Collections - Prior Year	144,984	13,860	0	0	7,315	60,738	0	0	226,897
Circuit/Clerk & Master Collections - Prior Years	52,078	4,981	0	0	2,735	15,749	0	0	75,543
Interest and Penalty	25,707	2,879	0	0	1,310	11,091	0	0	40,987
Payments in-Lieu-of Taxes - Local Utilities	60,740	8,731	0	0	3,201	16,007	0	0	88,679
<u>County Local Option Taxes</u>									
Local Option Sales Tax	80,827	0	0	0	0	0	609,548	0	690,375
Hotel/Motel Tax	50,297	0	0	0	0	0	0	0	50,297
Wheel Tax	0	0	0	0	0	885,228	0	0	885,228
Litigation Tax - General	131,317	0	0	0	0	0	0	0	131,317
Litigation Tax - Jail, Workhouse, or Courthouse	51,749	0	0	0	0	0	0	0	51,749
Business Tax	257,308	0	0	0	0	0	0	0	257,308
<u>Statutory Local Taxes</u>									
Bank Excise Tax	5,164	742	0	0	272	1,361	0	0	7,539
Wholesale Beer Tax	72,022	0	0	0	0	0	0	0	72,022
Interstate Telecommunications Tax	1,310	0	0	0	0	0	291	0	1,601
Total Local Taxes	\$ 4,865,941	\$ 596,474	\$ 0	\$ 0	\$ 222,099	\$ 2,036,119	\$ 609,839	\$ 0	\$ 8,330,472
<u>Licenses and Permits</u>									
Permits	\$ 1,045	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,045
Beer Permits	1,045	0	0	0	0	0	0	0	1,045
Total Licenses and Permits	\$ 2,090	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,090
<u>Fines, Forfeitures, and Penalties</u>									
<u>Circuit Court</u>									
Fines	\$ 39,120	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 39,120
Officers Costs	5,600	0	0	0	0	0	0	0	5,600
Drug Control Fines	8,309	0	3,399	0	0	0	0	0	11,708
DUI Treatment Fines	1,425	0	0	0	0	0	0	0	1,425
Data Entry Fee - Circuit Court	16,800	0	0	0	0	0	0	0	16,800
<u>General Sessions Court</u>									
Fines	97,473	0	0	0	0	0	0	0	97,473
Officers Costs	28,159	0	0	0	0	0	0	0	28,159
Game and Fish Fines	473	0	0	0	0	0	0	0	473
Drug Control Fines	4,182	0	4,141	0	0	0	0	0	8,323
Drug Court Fees	8,404	0	0	0	0	0	0	0	8,404

(Continued)

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

	Special Revenue Funds					Debt Service Funds			Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service		
Fines, Forfeitures, and Penalties (Cont.)									
General Sessions Court (Cont.)									
Jail Fees	43,106	0	0	0	0	0	0	0	43,106
DUI Treatment Fines	10,070	0	0	0	0	0	0	0	10,070
Juvenile Court Fines	959	0	0	0	0	0	0	0	959
Chancery Court									
Officers Costs	108	0	0	0	0	0	0	0	108
Data Entry Fee - Chancery Court	22,564	0	0	0	0	0	0	0	22,564
Judicial District Drug Program									
Drug Task Force Forfeitures and Seizures	0	0	22,816	0	0	0	0	0	22,816
Courtroom Security Fee	126,764	0	0	0	0	0	0	0	126,764
Total Fines, Forfeitures, and Penalties	413,516	0	30,356	0	0	0	0	0	443,872
Charges for Current Services									
General Service Charges									
Work Release Charges for Board Fees	11,943	0	0	0	0	0	0	0	11,943
Copy Fees	36	0	0	0	0	0	0	0	36
Telephone Commissions	58,662	0	0	0	0	0	0	0	58,662
Constitutional Officers' Fees and Commissions	0	0	0	922,140	0	0	0	0	922,140
Data Processing Fee - Register	9,536	0	0	0	0	0	0	0	9,536
Data Processing Fee - Sheriff	10,409	0	0	0	0	0	0	0	10,409
Sexual Offender Registration Fees - Sheriff	4,350	0	0	0	0	0	0	0	4,350
Data Processing Fee - County Clerk	3,603	0	0	0	0	0	0	0	3,603
Total Charges for Current Services	98,539	0	0	922,140	0	0	0	0	1,020,679
Other Local Revenues									
Recurring Items									
Investment Income	119,811	0	0	0	0	87,341	17,145	0	224,297
Lease/Rentals	600	0	0	0	0	0	0	0	600
Sale of Materials and Supplies	760	0	0	0	3,210	0	0	0	3,970
Commissary Sales	34,163	0	0	0	0	0	0	0	34,163
Sale of Recycled Materials	0	27,474	0	0	0	0	0	0	27,474
Miscellaneous Refunds	68,100	0	0	0	2,763	0	0	0	70,863
Nonrecurring Items									
Sale of Equipment	8,935	0	7,600	0	0	0	0	0	16,535
Damages Recovered from Individuals	1,474	0	0	0	0	0	0	0	1,474

(Continued)

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

	Special Revenue Funds					Debt Service Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service	
<u>Other Local Revenues (Cont.)</u>								
<u>Other Local Revenues</u>	\$ 8,919	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,919
Total Other Local Revenues	\$ 242,762	\$ 27,474	\$ 7,600	\$ 0	\$ 5,973	\$ 87,341	\$ 17,145	\$ 388,295
<u>Fees Received from County Officials</u>								
<u>Excess Fees</u>								
County Clerk	\$ 52,147	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 52,147
Circuit Court Clerk	85,000	0	0	0	0	0	0	85,000
Trustee	130,496	0	0	0	0	0	0	130,496
<u>Fees in-Lieu-of Salary</u>								
Clerk and Master	74,618	0	0	0	0	0	0	74,618
Register	110,408	0	0	0	0	0	0	110,408
Sheriff	12,364	0	0	0	0	0	0	12,364
Total Fees Received from County Officials	\$ 465,033	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 465,033
<u>State of Tennessee</u>								
<u>General Government Grants</u>	\$ 4,815	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,815
Juvenile Services Program								
<u>Public Works Grants</u>	49,425	0	0	0	0	0	0	49,425
Litter Program								
<u>Other State Revenues</u>								
Income Tax	40,486	0	0	0	0	0	0	40,486
Beer Tax	18,586	0	0	0	0	0	0	18,586
Alcoholic Beverage Tax	56,267	0	0	0	0	0	0	56,267
Mixed Drink Tax	5,137	0	0	0	0	0	0	5,137
Contracted Prisoner Boarding	1,076,895	0	0	0	0	0	0	1,076,895
Gasoline and Motor Fuel Tax	0	0	0	0	1,745,812	0	0	1,745,812
Petroleum Special Tax	0	0	0	0	20,036	0	0	20,036
Registrar's Salary Supplement	15,164	0	0	0	0	0	0	15,164
Other State Grants	25,480	16,294	0	0	0	0	0	41,774
Other State Revenues	98,244	0	0	0	0	0	0	98,244
Total State of Tennessee	\$ 1,390,499	\$ 16,294	\$ 0	\$ 0	\$ 1,765,848	\$ 0	\$ 0	\$ 3,172,641
<u>Federal Government</u>								
<u>Federal Through State</u>								
Civil Defense Reimbursement	\$ 23,795	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 23,795
Disaster Relief	0	0	0	0	6,897	0	0	6,897

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Funds			Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service		
<u>Federal Government (Cont.)</u>									
<u>Federal Through State (Cont.)</u>									
Other Federal through State	\$ 15,116	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,116
Total Federal Government	\$ 38,911	\$ 0	\$ 0	\$ 0	\$ 6,897	\$ 0	\$ 0	\$ 0	\$ 45,808
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Contributions	\$ 315,014	\$ 0	\$ 0	\$ 0	\$ 0	\$ 104,416	\$ 289,025	\$ 0	\$ 708,455
Contracted Services	126,500	0	0	0	0	0	0	0	126,500
Other	108,090	0	0	0	0	0	0	0	108,090
Total Other Governments and Citizens Groups	\$ 549,604	\$ 0	\$ 0	\$ 0	\$ 0	\$ 104,416	\$ 289,025	\$ 0	\$ 943,045
Total	\$ 8,065,850	\$ 640,242	\$ 37,956	\$ 922,140	\$ 2,000,817	\$ 2,227,876	\$ 916,009	\$ 14,810,890	

Exhibit J-6

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

	General Purpose School	Special Revenue Funds			Total
		School Federal Projects	Central Cafeteria	School Transpor - tation	
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 1,884,121	\$ 0	\$ 0	\$ 866,747	\$ 2,750,868
Trustee's Collections - Prior Year	77,854	0	0	35,912	113,766
Circuit/Clerk & Master Collections - Prior Years	24,437	0	0	11,756	36,193
Interest and Penalty	13,405	0	0	6,176	19,581
Payments in-Lieu-of Taxes - T.V.A.	366	0	0	0	366
Payments in-Lieu-of Taxes - Local Utilities	29,013	0	0	13,388	42,401
<u>County Local Option Taxes</u>					
Local Option Sales Tax	2,606,633	0	0	0	2,606,633
Wheel Tax	352,979	0	0	0	352,979
<u>Statutory Local Taxes</u>					
Bank Excise Tax	2,475	0	0	1,138	3,613
Interstate Telecommunications Tax	1,903	0	0	0	1,903
Total Local Taxes	\$ 4,993,186	\$ 0	\$ 0	\$ 935,117	\$ 5,928,303
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 1,673	\$ 0	\$ 0	\$ 0	\$ 1,673
<u>Permits</u>					
Other Permits	342	0	0	0	342
Total Licenses and Permits	\$ 2,015	\$ 0	\$ 0	\$ 0	\$ 2,015
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Contract for Instructional Services with Other LEAs	\$ 310,775	\$ 0	\$ 0	\$ 0	\$ 310,775
Receipts from Individual Schools	0	0	761,850	0	761,850
Total Charges for Current Services	\$ 310,775	\$ 0	\$ 761,850	\$ 0	\$ 1,072,625
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Lease/Rentals	\$ 6,350	\$ 0	\$ 0	\$ 0	\$ 6,350
Refund of Telecommunication and Internet Fees (E-Rate)	40,306	0	0	0	40,306
Miscellaneous Refunds	50,006	0	1,039	1,517	52,562
<u>Nonrecurring Items</u>					
Sale of Equipment	3,600	0	0	0	3,600
Contributions and Gifts	86,948	0	0	0	86,948
<u>Other Local Revenues</u>					
Other Local Revenues	1,373	0	0	0	1,373
Total Other Local Revenues	\$ 188,583	\$ 0	\$ 1,039	\$ 1,517	\$ 191,139
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-Behalf Contributions for OPEB	\$ 126,226	\$ 0	\$ 0	\$ 0	\$ 126,226
<u>State Education Funds</u>					
Basic Education Program	18,489,951	0	0	0	18,489,951
Early Childhood Education	505,285	0	0	0	505,285
School Food Service	21,045	0	0	0	21,045
Driver Education	10,737	0	0	0	10,737
Other State Education Funds	136,883	0	0	0	136,883
Career Ladder Program	140,229	0	0	0	140,229
Career Ladder - Extended Contract	47,400	0	0	0	47,400
<u>Other State Revenues</u>					
Mixed Drink Tax	4,112	0	0	0	4,112
State Revenue Sharing - T.V.A.	834,487	0	0	0	834,487
Other State Grants	770	0	0	0	770
Total State of Tennessee	\$ 20,317,125	\$ 0	\$ 0	\$ 0	\$ 20,317,125

(Continued)

Exhibit J-6

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

	General Purpose School	Special Revenue Funds			Total
		School Federal Projects	Central Cafeteria	School Transpor - tation	
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 964,140	\$ 0	\$ 964,140
USDA - Commodities	0	0	112,203	0	112,203
Breakfast	0	0	392,920	0	392,920
Adult Education State Grant Program	116,853	0	0	0	116,853
Vocational Education - Basic Grants to States	0	68,443	0	0	68,443
Title I Grants to Local Education Agencies	0	1,285,580	0	0	1,285,580
Special Education - Grants to States	37,948	810,531	0	0	848,479
Special Education Preschool Grants	0	24,020	0	0	24,020
English Language Acquisition Grants	0	12,224	0	0	12,224
Rural Education	0	75,243	0	0	75,243
Eisenhower Professional Development State Grants	0	133,737	0	0	133,737
Civil Defense Reimbursement	281	0	0	0	281
Race-to-the-Top - ARRA	0	99,381	0	0	99,381
Other Federal through State	223	66,773	0	0	66,996
<u>Direct Federal Revenue</u>					
ROTC Reimbursement	67,608	0	0	0	67,608
Total Federal Government	\$ 222,913	\$ 2,575,932	\$ 1,469,263	\$ 0	\$ 4,268,108
Total	\$ 26,034,597	\$ 2,575,932	\$ 2,232,152	\$ 936,634	\$ 31,779,315

Exhibit J-7

Henderson 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	\$	66,000	
Social Security		4,092	
Employer Medicare		957	
Audit Services		8,331	
Total County Commission			\$ 79,380

Board of Equalization

Board and Committee Members Fees	\$	1,468	
Total Board of Equalization			1,468

County Mayor/Executive

County Official/Administrative Officer	\$	72,463	
Secretary(ies)		21,320	
Social Security		5,577	
State Retirement		5,889	
Medical Insurance		3,474	
Unemployment Compensation		126	
Employer Medicare		1,304	
Communication		2,260	
Postal Charges		401	
Travel		2,468	
Office Supplies		1,966	
Premiums on Corporate Surety Bonds		175	
Other Charges		745	
Office Equipment		131	
Total County Mayor/Executive			118,299

County Attorney

Social Security	\$	496	
Unemployment Compensation		31	
Employer Medicare		116	
Dues and Memberships		100	
Legal Services		8,000	
Total County Attorney			8,743

Election Commission

County Official/Administrative Officer	\$	56,465	
Clerical Personnel		22,126	
Part-time Personnel		5,000	
Election Commission		2,700	
Election Workers		13,930	
In-Service Training		3,000	
Social Security		5,336	
State Retirement		5,073	
Unemployment Compensation		245	
Employer Medicare		1,248	
Communication		1,568	
Data Processing Services		2,500	
Dues and Memberships		200	
Janitorial Services		550	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Legal Notices, Recording, and Court Costs	\$	3,000	
Maintenance Agreements		1,000	
Maintenance and Repair Services - Office Equipment		3,700	
Postal Charges		2,499	
Printing, Stationery, and Forms		1,947	
Rentals		8,700	
Other Contracted Services		7,218	
Office Supplies		1,200	
Other Supplies and Materials		1,000	
Total Election Commission			\$ 150,205

Register of Deeds

County Official/Administrative Officer	\$	64,239	
Secretary(ies)		28,652	
Social Security		5,880	
State Retirement		6,078	
Unemployment Compensation		126	
Employer Medicare		1,347	
Communication		1,302	
Data Processing Services		5,910	
Dues and Memberships		793	
Postal Charges		400	
Travel		500	
Office Supplies		4,339	
Other Charges		127	
Office Equipment		1,345	
Total Register of Deeds			121,038

County Buildings

Custodial Personnel	\$	63,885	
Social Security		2,758	
State Retirement		2,265	
Medical Insurance		3,489	
Unemployment Compensation		303	
Employer Medicare		645	
Communication		29,996	
Licenses		597	
Maintenance Agreements		28,456	
Maintenance and Repair Services - Buildings		269,330	
Maintenance and Repair Services - Equipment		996	
Maintenance and Repair Services - Vehicles		826	
Pest Control		5,555	
Postal Charges		4,927	
Custodial Supplies		3,193	
Gasoline		292	
Utilities		311,571	
Other Charges		1,677	
Total County Buildings			730,761

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	62,738	
Accountants/Bookkeepers		141,502	
Social Security		11,677	
State Retirement		17,929	
Medical Insurance		10,409	
Unemployment Compensation		618	
Employer Medicare		2,731	
Communication		5,414	
Data Processing Services		11,679	
Maintenance and Repair Services - Office Equipment		447	
Postal Charges		3,499	
Printing, Stationery, and Forms		3,300	
Travel		663	
Office Supplies		3,000	
Other Supplies and Materials		500	
Premiums on Corporate Surety Bonds		175	
Other Charges		1,239	
Office Equipment		876	
Total Accounting and Budgeting			\$ 278,396

Property Assessor's Office

County Official/Administrative Officer	\$	62,739	
Clerical Personnel		69,822	
Social Security		7,558	
State Retirement		9,613	
Medical Insurance		7,130	
Unemployment Compensation		451	
Employer Medicare		1,768	
Communication		1,607	
Contracts with Private Agencies		13,700	
Data Processing Services		10,000	
Dues and Memberships		1,700	
Legal Notices, Recording, and Court Costs		50	
Postal Charges		1,006	
Printing, Stationery, and Forms		151	
Travel		1,569	
Office Supplies		1,119	
Premiums on Corporate Surety Bonds		27	
Other Charges		30	
Office Equipment		3,781	
Total Property Assessor's Office			193,821

Reappraisal Program

Other Salaries and Wages	\$	28,340	
Social Security		1,584	
State Retirement		2,491	
Medical Insurance		3,489	
Unemployment Compensation		126	
Employer Medicare		370	
Maintenance and Repair Services - Vehicles		942	
Gasoline		554	
Total Reappraisal Program			37,896

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office

Communication	\$	1,616	
Data Processing Services		8,470	
Dues and Memberships		59	
Legal Notices, Recording, and Court Costs		212	
Postal Charges		5,041	
Printing, Stationery, and Forms		1,016	
Office Supplies		1,937	
Office Equipment		3,525	
Total County Trustee's Office			\$ 21,876

County Clerk's Office

Communication	\$	2,937	
Data Processing Services		14,394	
Dues and Memberships		573	
Maintenance Agreements		2,500	
Maintenance and Repair Services - Office Equipment		800	
Postal Charges		6,000	
Office Supplies		2,941	
Office Equipment		5,845	
Total County Clerk's Office			35,990

Administration of Justice

Circuit Court

Overtime Pay	\$	68	
Other Salaries and Wages		94,587	
Jury and Witness Expense		10,792	
Social Security		5,639	
State Retirement		7,172	
Medical Insurance		6,987	
Unemployment Compensation		588	
Employer Medicare		1,319	
Communication		4,772	
Dues and Memberships		612	
Legal Notices, Recording, and Court Costs		191	
Maintenance Agreements		1,639	
Maintenance and Repair Services - Office Equipment		269	
Postal Charges		3,061	
Office Supplies		8,165	
Furniture and Fixtures		499	
Total Circuit Court			146,360

General Sessions Court

Judge(s)	\$	118,137	
Secretary(ies)		25,142	
Social Security		7,966	
State Retirement		8,755	
Medical Insurance		6,102	
Unemployment Compensation		96	
Employer Medicare		1,936	
Communication		422	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

Other Contracted Services	\$	64	
Office Supplies		498	
Office Equipment		400	
Total General Sessions Court			\$ 169,518

Drug Court

Drugs and Medical Supplies	\$	6,874	
Other Charges		1,240	
Total Drug Court			8,114

Chancery Court

County Official/Administrative Officer	\$	46,009	
Clerical Personnel		37,908	
Social Security		4,891	
State Retirement		6,760	
Medical Insurance		3,590	
Unemployment Compensation		252	
Employer Medicare		1,176	
Communication		3,136	
Data Processing Services		5,877	
Dues and Memberships		573	
Legal Notices, Recording, and Court Costs		2,568	
Maintenance Agreements		170	
Postal Charges		2,471	
Office Supplies		5,874	
Total Chancery Court			121,255

Juvenile Court

Guidance Personnel	\$	30,914	
In-Service Training		435	
Social Security		1,480	
State Retirement		2,356	
Medical Insurance		3,312	
Unemployment Compensation		126	
Employer Medicare		346	
Communication		738	
Contracts with Other Public Agencies		5,704	
Travel		734	
Office Supplies		668	
Total Juvenile Court			46,813

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	69,013	
Deputy(ies)		845,034	
Clerical Personnel		58,507	
Part-time Personnel		1,074	
Overtime Pay		22,679	
In-Service Training		13,936	
Social Security		61,246	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

State Retirement	\$	84,536	
Medical Insurance		34,081	
Unemployment Compensation		4,016	
Employer Medicare		14,324	
Communication		24,179	
Dues and Memberships		2,000	
Evaluation and Testing		5,000	
Legal Notices, Recording, and Court Costs		28,035	
Maintenance Agreements		15,406	
Maintenance and Repair Services - Equipment		32,342	
Maintenance and Repair Services - Vehicles		54,021	
Postal Charges		3,755	
Travel		728	
Gasoline		124,820	
Office Supplies		7,623	
Tires and Tubes		15,999	
Uniforms		11,756	
Other Charges		1,608	
Motor Vehicles		84,436	
Office Equipment		2,575	
Total Sheriff's Department			\$ 1,622,729

Administration of the Sexual Offender Registry

Office Supplies	\$	106	
Other Charges		1,674	
Total Administration of the Sexual Offender Registry			1,780

Workhouse

Guards	\$	667,213	
Overtime Pay		14,737	
Other Salaries and Wages		33,285	
In-Service Training		4,236	
Social Security		42,984	
State Retirement		58,456	
Medical Insurance		36,357	
Unemployment Compensation		5,199	
Employer Medicare		10,053	
Contracts with Government Agencies		2,922	
Evaluation and Testing		976	
Maintenance Agreements		6,000	
Maintenance and Repair Services - Buildings		4,252	
Maintenance and Repair Services - Equipment		16,979	
Medical and Dental Services		255,140	
Custodial Supplies		20,018	
Drugs and Medical Supplies		10,000	
Food Supplies		213,000	
Office Supplies		2,164	
Uniforms		1,943	
Total Workhouse			1,405,914

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control

County Official/Administrative Officer	\$	56,238	
Part-time Personnel		12,435	
In-Service Training		2,800	
Social Security		3,438	
State Retirement		4,943	
Medical Insurance		3,628	
Unemployment Compensation		281	
Employer Medicare		804	
Communication		3,058	
Dues and Memberships		100	
Maintenance and Repair Services - Buildings		767	
Maintenance and Repair Services - Equipment		13,177	
Maintenance and Repair Services - Vehicles		11,563	
Postal Charges		297	
Travel		833	
Drugs and Medical Supplies		460	
Gasoline		13,834	
Instructional Supplies and Materials		1,000	
Office Supplies		1,046	
Uniforms		490	
Other Supplies and Materials		997	
Trustee's Commission		260	
Other Charges		152,800	
Other Equipment		29,454	
Total Fire Prevention and Control			\$ 314,703

Civil Defense

Other Salaries and Wages	\$	150,689	
In-Service Training		944	
Social Security		2,393	
State Retirement		1,952	
Medical Insurance		3,060	
Unemployment Compensation		173	
Employer Medicare		728	
Communication		2,933	
Maintenance and Repair Services - Buildings		174,449	
Maintenance and Repair Services - Vehicles		1,015	
Other Contracted Services		1,756	
Gasoline		1,681	
Office Supplies		311	
Other Charges		3,113	
Office Equipment		5,000	
Other Equipment		162,464	
Total Civil Defense			512,661

Other Emergency Management

Supervisor/Director	\$	6,717	
Social Security		336	
State Retirement		590	
Medical Insurance		1,334	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management (Cont.)

Unemployment Compensation	\$	50	
Employer Medicare		79	
Right-of-Way		194,236	
Total Other Emergency Management			\$ 203,342

County Coroner/Medical Examiner

Other Per Diem and Fees	\$	42,463	
Ambulance Services		1,750	
Total County Coroner/Medical Examiner			44,213

Other Public Safety

County Official/Administrative Officer	\$	41,138	
Dispatchers/Radio Operators		219,367	
Clerical Personnel		34,233	
Part-time Personnel		26,210	
In-Service Training		1,014	
Social Security		19,485	
State Retirement		24,844	
Medical Insurance		46,626	
Unemployment Compensation		1,609	
Employer Medicare		4,505	
Maintenance and Repair Services - Equipment		33,915	
Other Equipment		90,905	
Total Other Public Safety			543,851

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	5,400	
Other Salaries and Wages		80,479	
Social Security		4,901	
State Retirement		6,513	
Unemployment Compensation		480	
Employer Medicare		1,146	
Communication		5,731	
Maintenance and Repair Services - Equipment		175	
Postal Charges		462	
Travel		5,151	
Custodial Supplies		740	
Drugs and Medical Supplies		25	
Office Supplies		2,105	
Total Local Health Center			113,308

Alcohol and Drug Programs

Contributions	\$	12,990	
Total Alcohol and Drug Programs			12,990

Other Local Health Services

Contributions	\$	3,200	
Total Other Local Health Services			3,200

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Appropriation to State

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

Waste Pickup

Part-time Personnel	\$ 2,500	
Social Security	155	
Unemployment Compensation	18	
Employer Medicare	36	
Advertising	1,040	
Printing, Stationery, and Forms	3,030	
Custodial Supplies	374	
Gasoline	5,000	
Instructional Supplies and Materials	1,258	
Other Supplies and Materials	3,105	
Other Charges	6,035	
Motor Vehicles	4,999	
Total Waste Pickup		27,550

Social, Cultural, and Recreational Services

Adult Activities

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

Senior Citizens Assistance

Contributions	\$ 14,700	
Total Senior Citizens Assistance		14,700

Libraries

Contributions	\$ 44,000	
Total Libraries		44,000

Other Social, Cultural, and Recreational

Contributions	\$ 20,300	
Total Other Social, Cultural, and Recreational		20,300

Agriculture and Natural Resources

Agriculture Extension Service

Assistant(s)	\$ 24,123	
Supervisor/Director	14,938	
Secretary(ies)	6,555	
Other Salaries and Wages	8,500	
Social Security	1,823	
State Retirement	2,904	
Unemployment Compensation	126	
Employer Medicare	250	
Communication	4,519	
Maintenance Agreements	195	
Postal Charges	176	
Travel	600	
Office Supplies	61	
Total Agriculture Extension Service		64,770

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Soil Conservation

Secretary(ies)	\$	15,525	
Social Security		963	
Unemployment Compensation		123	
Employer Medicare		225	
Dues and Memberships		360	
Office Supplies		218	
Total Soil Conservation			\$ 17,414

Flood Control

Other Contracted Services	\$	61,300	
Total Flood Control			61,300

Other Operations

Tourism

Contributions	\$	8,560	
Other Charges		2,267	
Total Tourism			10,827

Industrial Development

Communication	\$	2,410	
Contributions		7,000	
Other Charges		500	
Total Industrial Development			9,910

Veterans' Services

Supervisor/Director	\$	10,729	
Secretary(ies)		19,226	
In-Service Training		699	
Social Security		1,687	
State Retirement		1,866	
Medical Insurance		3,226	
Unemployment Compensation		100	
Employer Medicare		395	
Communication		207	
Postal Charges		400	
Office Supplies		903	
Total Veterans' Services			39,438

Other Charges

Building and Contents Insurance	\$	41,797	
Liability Insurance		91,915	
Vehicle and Equipment Insurance		87,734	
Workers' Compensation Insurance		71,561	
Total Other Charges			293,007

Employee Benefits

Medical Insurance	\$	35,348	
Total Employee Benefits			35,348

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous

Part-time Personnel	\$	8,715	
Dues and Memberships		9,091	
Legal Notices, Recording, and Court Costs		476	
Maintenance Agreements		1,198	
Office Supplies		1,131	
Road Signs		3,578	
Premiums on Corporate Surety Bonds		845	
Trustee's Commission		97,405	
Other Charges		12,905	
Airport Improvement		47,083	
Total Miscellaneous			\$ 182,427

Principal on Debt

General Government

Principal on Notes	\$	65,000	
Total General Government			65,000

Interest on Debt

General Government

Interest on Notes	\$	12,150	
Total General Government			12,150

Total General Fund \$ 7,961,872

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Education/Information

Supervisor/Director	\$	64,189	
Part-time Personnel		127,502	
Social Security		11,727	
State Retirement		7,045	
Medical Insurance		5,748	
Unemployment Compensation		1,781	
Employer Medicare		2,743	
Communication		5,963	
Contracts with Private Agencies		218,771	
Maintenance Agreements		185	
Maintenance and Repair Services - Buildings		5,614	
Maintenance and Repair Services - Equipment		30,812	
Maintenance and Repair Services - Vehicles		2,080	
Gasoline		379	
Office Supplies		718	
Utilities		8,955	
Other Supplies and Materials		469	
Trustee's Commission		11,824	
Landfill Closure/Postclosure Care Costs		3,500	
Other Charges		34	
Motor Vehicles		1,000	
Other Equipment		94,528	
Total Sanitation Education/Information			\$ 605,567

Total Solid Waste/Sanitation Fund 605,567

(Continued)

Exhibit J-7

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

Drug Control Fund

Public Safety

Drug Enforcement

Other Salaries and Wages	\$	33,000	
Confidential Drug Enforcement Payments		3,000	
Maintenance and Repair Services - Vehicles		1,874	
Towing Services		3,037	
Trustee's Commission		80	
Other Charges		1,122	
Motor Vehicles		90,668	
Total Drug Enforcement			\$ 132,781

Total Drug Control Fund \$ 132,781

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	228,153	
Total County Trustee's Office			\$ 228,153

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	228,309	
Total County Clerk's Office			228,309

Administration of Justice

Circuit Court Clerk

Constitutional Officers' Operating Expenses	\$	376,275	
Total Circuit Court Clerk			376,275

Chancery Court

Constitutional Officers' Operating Expenses	\$	76,056	
Total Chancery Court			76,056

Total Constitutional Officers - Fees Fund 908,793

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	69,013	
Secretary(ies)		21,278	
Overtime Pay		123	
Social Security		6,546	
State Retirement		5,705	
Medical Insurance		9,093	
Employer Medicare		306	
Dues and Memberships		2,808	
Maintenance and Repair Services - Office Equipment		530	
Postal Charges		96	
Travel		138	
Office Supplies		1,283	
Other Charges		438	
Total Administration			\$ 117,357

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance

Foremen	\$	4,506	
Equipment Operators		208,673	
Truck Drivers		115,612	
Laborers		101,909	
Social Security		26,174	
State Retirement		34,075	
Medical Insurance		78,421	
Employer Medicare		6,121	
Evaluation and Testing		205	
Medical and Dental Services		55	
Asphalt - Liquid		130,616	
Crushed Stone		75,588	
Pipe		39,174	
Road Signs		12	
Wood Products		14,105	
Other Supplies and Materials		1,905	
Total Highway and Bridge Maintenance			\$ 837,151

Operation and Maintenance of Equipment

Foremen	\$	32,416	
Mechanic(s)		25,530	
Overtime Pay		444	
Social Security		3,620	
Medical Insurance		20,411	
Employer Medicare		847	
Laundry Service		957	
Maintenance and Repair Services - Equipment		27,672	
Diesel Fuel		124,842	
Equipment and Machinery Parts		123,502	
Gasoline		19,510	
Lubricants		9,133	
Tires and Tubes		24,540	
Other Supplies and Materials		2,855	
Total Operation and Maintenance of Equipment			416,279

Other Charges

Communication	\$	4,093	
Maintenance and Repair Services - Buildings		628	
Electricity		8,246	
Natural Gas		1,743	
Water and Sewer		185	
Liability Insurance		27,987	
Trustee's Commission		22,024	
Workers' Compensation Insurance		41,414	
Total Other Charges			106,320

Employee Benefits

Employee and Dependent Insurance	\$	6,055	
Unemployment Compensation		6,647	
Total Employee Benefits			12,702

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay

Bridge Construction	\$	2,491	
Highway Equipment		18,285	
Motor Vehicles		11,350	
Total Capital Outlay			\$ 32,126

Total Highway/Public Works Fund \$ 1,521,935

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	75,000	
Principal on Notes		604	
Total General Government			\$ 75,604

Education

Principal on Bonds	\$	1,600,000	
Principal on Other Loans		78,984	
Total Education			1,678,984

Interest on Debt

General Government

Interest on Bonds	\$	614,988	
Total General Government			614,988

Education

Interest on Bonds	\$	385,791	
Interest on Other Loans		25,432	
Total Education			411,223

Other Debt Service

General Government

Fiscal Agent Charges	\$	2,378	
Trustee's Commission		32,690	
Underwriter's Discount		704	
Other Debt Issuance Charges		1,217	
Total General Government			36,989

Education

Underwriter's Discount	\$	22,245	
Other Debt Issuance Charges		45,157	
Total Education			67,402

Total General Debt Service Fund 2,885,190

Rural Debt Service Fund

Principal on Debt

Education

Principal on Bonds	\$	680,000	
Total Education			\$ 680,000

(Continued)

Exhibit J-7

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

<u>Rural Debt Service Fund (Cont.)</u>			
<u>Interest on Debt</u>			
<u>Education</u>			
Interest on Bonds	\$	88,488	
Total Education			\$ 88,488
<u>Other Debt Service</u>			
<u>Education</u>			
Trustee's Commission	\$	6,215	
Total Education			<u>6,215</u>
Total Rural Debt Service Fund			<u>\$ 774,703</u>
Total Governmental Funds - Primary Government			<u>\$ 14,790,841</u>

Exhibit J-8

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	8,216,695	
Career Ladder Program		73,500	
Career Ladder Extended Contracts		42,000	
Homebound Teachers		7,983	
Clerical Personnel		378,786	
Educational Assistants		143,140	
Other Salaries and Wages		337,876	
Non-certified Substitute Teachers		128,462	
Social Security		538,898	
State Retirement		804,174	
Medical Insurance		785,735	
Employer Medicare		126,926	
Tuition		50,000	
Other Contracted Services		10,604	
Instructional Supplies and Materials		289,479	
Textbooks		442,500	
Other Supplies and Materials		20,691	
Other Charges		80,722	
Regular Instruction Equipment		487,787	
Total Regular Instruction Program			\$ 12,965,958

Alternative Instruction Program

Educational Assistants	\$	29,978	
Social Security		1,115	
State Retirement		424	
Employer Medicare		261	
Instructional Supplies and Materials		1,658	
Other Equipment		5,000	
Total Alternative Instruction Program			38,436

Special Education Program

Teachers	\$	1,373,840	
Career Ladder Program		12,500	
Homebound Teachers		2,312	
Medical Personnel		21,340	
Educational Assistants		247,424	
Non-certified Substitute Teachers		52,968	
Social Security		91,131	
State Retirement		139,605	
Medical Insurance		160,808	
Employer Medicare		22,104	
Contracts with Private Agencies		36,499	
Instructional Supplies and Materials		7,024	
Special Education Equipment		33,968	
Transportation Equipment		91,000	
Total Special Education Program			2,292,523

Vocational Education Program

Teachers	\$	775,295	
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(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Career Ladder Program	\$	13,000	
Career Ladder Extended Contracts		3,000	
Non-certified Substitute Teachers		12,352	
Social Security		45,253	
State Retirement		70,533	
Medical Insurance		80,146	
Employer Medicare		10,583	
Instructional Supplies and Materials		45,655	
Other Supplies and Materials		9,858	
Vocational Instruction Equipment		81,380	
Total Vocational Education Program	\$		1,147,055

Adult Education Program

Teachers	\$	24,812	
Social Security		336	
Employer Medicare		355	
Other Supplies and Materials		5,694	
Other Charges		1,000	
Total Adult Education Program			32,197

Support Services

Attendance

Supervisor/Director	\$	57,279	
Career Ladder Program		1,000	
Social Security		3,179	
State Retirement		5,175	
Medical Insurance		9,343	
Employer Medicare		743	
Travel		1,692	
Total Attendance			78,411

Health Services

Career Ladder Program	\$	1,000	
Medical Personnel		199,360	
Other Salaries and Wages		59,205	
Social Security		15,039	
State Retirement		20,677	
Medical Insurance		15,357	
Employer Medicare		3,517	
Communication		731	
Travel		4,690	
Instructional Supplies and Materials		11,472	
Other Supplies and Materials		4,962	
In Service/Staff Development		2,000	
Other Charges		320	
Total Health Services			338,330

Other Student Support

Career Ladder Program	\$	1,000	
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(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Guidance Personnel	\$	425,375	
Career Ladder Extended Contracts		3,000	
Other Salaries and Wages		52,794	
Social Security		27,210	
State Retirement		41,196	
Medical Insurance		40,872	
Employer Medicare		6,364	
Evaluation and Testing		20,000	
Travel		8,306	
Other Supplies and Materials		996	
Other Charges		39,050	
Other Equipment		15,000	
Total Other Student Support			\$ 681,163

Regular Instruction Program

Supervisor/Director	\$	195,349	
Career Ladder Program		8,000	
Librarians		421,014	
Instructional Computer Personnel		60,029	
Other Salaries and Wages		139,775	
Social Security		43,110	
State Retirement		68,784	
Medical Insurance		144,774	
Employer Medicare		10,082	
Travel		12,427	
Library Books/Media		23,000	
Other Supplies and Materials		1,133	
In Service/Staff Development		52,568	
Total Regular Instruction Program			1,180,045

Alternative Instruction Program

Supervisor/Director	\$	53,293	
Social Security		3,175	
State Retirement		4,732	
Medical Insurance		3,899	
Employer Medicare		742	
Travel		500	
Other Supplies and Materials		499	
Other Charges		999	
Total Alternative Instruction Program			67,839

Special Education Program

Supervisor/Director	\$	59,479	
Career Ladder Program		1,000	
Assessment Personnel		50,083	
Secretary(ies)		5,079	
Other Salaries and Wages		15,242	
Social Security		7,620	
State Retirement		11,604	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Medical Insurance	\$	9,555	
Employer Medicare		1,782	
Communication		11,489	
Travel		14,700	
Other Supplies and Materials		6,218	
In Service/Staff Development		1,890	
Other Charges		9,424	
Other Equipment		5,188	
Total Special Education Program			\$ 210,353

Vocational Education Program

Supervisor/Director	\$	59,783	
Career Ladder Program		2,000	
Social Security		3,686	
State Retirement		5,486	
Medical Insurance		3,899	
Employer Medicare		862	
Travel		4,933	
Other Supplies and Materials		1,000	
Other Charges		1,500	
Total Vocational Education Program			83,149

Adult Programs

Supervisor/Director	\$	67,438	
Social Security		3,758	
State Retirement		5,988	
Medical Insurance		9,343	
Employer Medicare		879	
Communication		1,708	
Travel		1,080	
In Service/Staff Development		2,758	
Total Adult Programs			92,952

Other Programs

Teachers	\$	14,884	
Social Security		822	
Employer Medicare		216	
On-Behalf Payments to OPEB		126,226	
Communication		1,399	
Evaluation and Testing		780	
Postal Charges		120	
Travel		279	
Instructional Supplies and Materials		625	
Other Supplies and Materials		1,993	
Total Other Programs			147,344

Board of Education

Board and Committee Members Fees	\$	26,300	
Social Security		1,296	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Medical Insurance	\$	12,272	
Unemployment Compensation		14,357	
Employer Medicare		303	
Audit Services		19,000	
Contracts with Private Agencies		24,999	
Dues and Memberships		11,861	
Legal Services		4,726	
Travel		3,035	
Trustee's Commission		117,039	
Workers' Compensation Insurance		187,788	
In Service/Staff Development		19,248	
Other Charges		3,094	
Total Board of Education			\$ 445,318

Director of Schools

County Official/Administrative Officer	\$	98,500	
Career Ladder Program		1,000	
Social Security		5,845	
State Retirement		8,836	
Medical Insurance		6,459	
Employer Medicare		1,367	
Communication		36,834	
Dues and Memberships		2,414	
Postal Charges		2,217	
Travel		3,986	
Other Charges		243	
Total Director of Schools			167,701

Office of the Principal

Principals	\$	558,553	
Career Ladder Program		9,000	
Career Ladder Extended Contracts		3,000	
Assistant Principals		200,461	
Social Security		45,270	
State Retirement		68,466	
Medical Insurance		56,315	
Employer Medicare		10,587	
Communication		64,293	
Data Processing Services		14,429	
Other Contracted Services		3,920	
Other Supplies and Materials		245	
In Service/Staff Development		12,000	
Other Charges		173	
Total Office of the Principal			1,046,712

Fiscal Services

Internal Audit Personnel	\$	25,208	
Clerical Personnel		39,577	
Social Security		3,868	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

State Retirement	\$	3,479	
Medical Insurance		3,594	
Employer Medicare		905	
Maintenance and Repair Services - Equipment		19,120	
Travel		2,890	
Other Contracted Services		101,200	
Gasoline		1,107	
Office Supplies		5,445	
Total Fiscal Services			\$ 206,393

Operation of Plant

Custodial Personnel	\$	461,722	
Social Security		26,181	
State Retirement		26,591	
Medical Insurance		17,283	
Employer Medicare		6,264	
Janitorial Services		72,260	
Disposal Fees		19,540	
Other Contracted Services		122,640	
Custodial Supplies		70,832	
Electricity		620,541	
Natural Gas		101,705	
Water and Sewer		74,111	
Building and Contents Insurance		226,434	
Other Charges		1,100	
Total Operation of Plant			1,847,204

Maintenance of Plant

Supervisor/Director	\$	31,920	
Maintenance Personnel		101,213	
Social Security		8,030	
State Retirement		11,703	
Medical Insurance		2,370	
Employer Medicare		1,878	
Maintenance and Repair Services - Buildings		139,789	
Maintenance and Repair Services - Equipment		11,217	
Maintenance and Repair Services - Vehicles		8,050	
Pest Control		8,820	
Travel		1,141	
Other Contracted Services		7,995	
Gasoline		20,190	
Other Supplies and Materials		30,351	
Other Charges		1,731	
Maintenance Equipment		18,802	
Total Maintenance of Plant			405,200

Transportation

Bus Drivers	\$	42,146	
Social Security		2,617	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

State Retirement	\$	365	
Employer Medicare		612	
Contracts with Vehicle Owners		280,000	
Maintenance and Repair Services - Vehicles		8,680	
Diesel Fuel		200,000	
Transportation Equipment		3,539	
Total Transportation			\$ 537,959

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	26,172	
Clerical Personnel		22,000	
In-Service Training		2,037	
Social Security		1,459	
State Retirement		2,300	
Medical Insurance		3,594	
Employer Medicare		341	
Travel		2,000	
Food Service Equipment		10,353	
Total Food Service			70,256

Early Childhood Education

Teachers	\$	244,416	
Educational Assistants		66,361	
Social Security		18,674	
State Retirement		28,039	
Medical Insurance		24,014	
Employer Medicare		4,367	
Communication		15,181	
Travel		8,830	
Food Supplies		5,945	
Instructional Supplies and Materials		21	
Other Supplies and Materials		89,368	
Total Early Childhood Education			505,216

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	256,445	
Total Regular Capital Outlay			256,445

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	393,441	
Total Education			393,441

Total General Purpose School Fund \$ 25,237,600

(Continued)

Exhibit J-8

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	21,662	
Educational Assistants		218,776	
Other Salaries and Wages		309,452	
Social Security		33,184	
State Retirement		45,494	
Medical Insurance		16,322	
Employer Medicare		7,768	
Maintenance and Repair Services - Equipment		457	
Instructional Supplies and Materials		25,567	
Regular Instruction Equipment		143,302	
Total Regular Instruction Program			\$ 821,984

Special Education Program

Teachers	\$	43,106	
Clerical Personnel		17,164	
Educational Assistants		334,654	
Social Security		22,504	
State Retirement		34,752	
Medical Insurance		19,549	
Employer Medicare		5,263	
Contracts with Private Agencies		31,500	
Special Education Equipment		20,978	
Total Special Education Program			529,470

Vocational Education Program

Other Supplies and Materials	\$	4,195	
Vocational Instruction Equipment		50,580	
Total Vocational Education Program			54,775

Support Services

Other Student Support

Other Salaries and Wages	\$	4,000	
Social Security		248	
State Retirement		355	
Employer Medicare		58	
Communication		8,420	
Contracts with Other School Systems		10,717	
Evaluation and Testing		68,551	
Travel		30,583	
Instructional Supplies and Materials		3,690	
Office Supplies		4,506	
Other Supplies and Materials		2,051	
In Service/Staff Development		20,011	
Other Charges		9,247	
Other Equipment		921	
Total Other Student Support			163,358

Regular Instruction Program

Supervisor/Director	\$	89,838	
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(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Secretary(ies)	\$	24,320	
Clerical Personnel		5,000	
Other Salaries and Wages		185,453	
In-Service Training		27,450	
Social Security		16,381	
State Retirement		24,352	
Medical Insurance		17,085	
Employer Medicare		4,223	
Evaluation and Testing		3,210	
Travel		17,988	
Instructional Supplies and Materials		16,827	
Office Supplies		12,982	
Other Supplies and Materials		9,311	
In Service/Staff Development		57,747	
Other Charges		325	
Regular Instruction Equipment		158,504	
Total Regular Instruction Program			\$ 670,996

Special Education Program

Secretary(ies)	\$	19,906	
Social Security		1,234	
State Retirement		857	
Employer Medicare		289	
Travel		25,000	
Other Contracted Services		67,571	
In Service/Staff Development		5,499	
Total Special Education Program			120,356

Transportation

Bus Drivers	\$	114,231	
Social Security		7,008	
State Retirement		4,527	
Employer Medicare		1,639	
Contracts with Parents		7,836	
Contracts with Vehicle Owners		300	
Maintenance and Repair Services - Vehicles		8,800	
Diesel Fuel		40,293	
Transportation Equipment		125	
Total Transportation			184,759

Total School Federal Projects Fund \$ 2,545,698

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	709,945	
Social Security		41,815	
State Retirement		56,498	
Medical Insurance		33,164	

(Continued)

Exhibit J-8

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Employer Medicare	\$	9,779	
Communication		8,668	
Travel		1,120	
Food Supplies		1,011,225	
Uniforms		3,908	
USDA - Commodities		112,203	
Other Supplies and Materials		121,123	
Total Food Service			\$ 2,109,448

Total Central Cafeteria Fund \$ 2,109,448

School Transportation Fund

Support Services

Board of Education

Trustee's Commission	\$	18,472	
Total Board of Education			\$ 18,472

Transportation

Supervisor/Director	\$	23,310	
Social Security		1,445	
State Retirement		2,049	
Employer Medicare		338	
Communication		1,035	
Contracts with Vehicle Owners		496,531	
Maintenance and Repair Services - Vehicles		699	
Other Contracted Services		5,000	
Diesel Fuel		67,605	
Other Charges		3,804	
Total Transportation			601,816

Total School Transportation Fund 620,288

Total Governmental Funds - Henderson County School Department \$ 30,513,034

Exhibit J-9

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

	Cities - Sales Tax Fund	City School ADA - Lexington Fund	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 461,026	\$ 461,026
Trustee's Collections - Prior Year	0	19,249	19,249
Circuit/Clerk and Master Collections - Prior Years	0	4,589	4,589
Interest and Penalty	0	3,558	3,558
Payments in-Lieu-of Taxes - Local Utilities	0	7,209	7,209
Local Option Sales Tax	3,167,038	764,052	3,931,090
Wheel Tax	0	86,164	86,164
Bank Excise Tax	0	605	605
Interstate Telecommunications Tax	0	444	444
Marriage Licenses	0	408	408
Other Permits	0	2	2
Mixed Drink Tax	0	1,046	1,046
Total Cash Receipts	<u>\$ 3,167,038</u>	<u>\$ 1,348,352</u>	<u>\$ 4,515,390</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 3,135,368	\$ 1,333,836	\$ 4,469,204
Trustee's Commission	31,670	18,710	50,380
Total Cash Disbursements	<u>\$ 3,167,038</u>	<u>\$ 1,352,546</u>	<u>\$ 4,519,584</u>
<u>Excess of Cash Receipts</u>			
Over (Under) Cash Disbursements	\$ 0	\$ (4,194)	\$ (4,194)
Cash Balance, July 1, 2012	0	85,757	85,757
Cash Balance, June 30, 2013	<u>\$ 0</u>	<u>\$ 81,563</u>	<u>\$ 81,563</u>

SINGLE AUDIT SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
SUITE 1500
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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

Henderson County Mayor and
Board of County Commissioners
Henderson 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 Henderson County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Henderson County's basic financial statements, and have issued our report thereon dated October 14, 2013. Our report includes a reference to other auditors who audited the financial statements of the Henderson County Emergency Communications District, as described in our report on Henderson County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Henderson 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 Henderson County's internal control. Accordingly, we do not express an opinion on the effectiveness of Henderson 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, 2013-003, 2013-005, 2013-007, and 2013-008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Henderson 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items: 2013-002, 2013-004, and 2013-006.

Henderson County's Responses to Findings

Henderson County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Henderson 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 Henderson 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 at the end.

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

October 14, 2013

JPW/sb



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

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

To the County Mayor and Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Henderson 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 Henderson County's major federal programs for the year ended June 30, 2013. Henderson County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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 Henderson 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 Henderson County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Henderson 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 Henderson 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 Henderson 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 Henderson County's internal control over compliance.

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

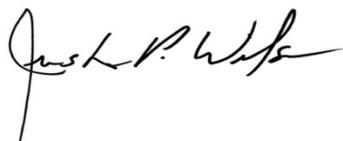
consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Henderson County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Henderson County's basic financial statements. We issued our report thereon dated October 14, 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

October 14, 2013

JPW/sb

Henderson 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 Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	\$ 112,203 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	392,920
National School Lunch Program	10.555	N/A	964,140 (3)
Total U.S. Department of Agriculture			<u>\$ 1,469,263</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(2)	\$ 4,815
Total U.S. Department of Justice			<u>\$ 4,815</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	(2)	\$ 21,480
Total U.S. Department of Transportation			<u>\$ 21,480</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	(2)	\$ 116,853
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	1,285,580
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	848,318
Special Education - Preschool Grants	84.173	N/A	24,020
Career and Technical Education - Basic Grants to States	84.048	N/A	68,443
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	N/A	52,341
Rural Education	84.358	N/A	75,243
Improving Teacher Quality State Grants	84.367	N/A	132,816
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	99,381
Total U.S. Department of Education			<u>\$ 2,702,995</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	\$ 7,178
Emergency Management Performance Grants	97.042	34101-0000007505	23,000
Homeland Security Grant Program	97.067	(2)	795
Total U.S. Department of Homeland Security			<u>\$ 30,973</u>
Total Expenditures of Federal Awards			<u>\$ 4,229,526</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
Litter Program - State Department of Transportation	N/A	(2)	\$ 49,425
Volunteer Fire Assistance Grant Program - State Department of Agriculture	N/A	(2)	3,000
Certified Voting Equipment Grant - Tennessee Secretary of State	N/A	(2)	1,000
Waste Tire Option Grant - State Department of Environment and Conservation	N/A	(2)	16,294
Coordinated School Health - State Department of Education	N/A	(2)	90,000
ACT/Explore - State Department of Education	N/A	(2)	4,478
Connectenn - State Department of Education	N/A	(2)	12,266
Statewide Student Management System - State Department of Education	N/A	(2)	9,839
Safe Schools - State Department of Education	N/A	(2)	20,300
School to Work - State Department of Education	N/A	(2)	770
Early Childhood Education - State Department of Education	N/A	(2)	<u>505,285</u>
Total State Grants			<u>\$ 712,657</u>

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total for CFDA No. 10.555 is \$1,076,343.

Henderson 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 are findings from the Annual Financial Report for Henderson County, Tennessee, for the year ended June 30, 2012, which have not been corrected.

OFFICE OF FINANCE DIRECTOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.01	149	Purchase orders were not issued in some instances
12.04	151	Designated situs-based taxes were inadequate to fund rural fire protection

OFFICES OF COUNTY CLERK AND CIRCUIT COURT CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.05	151	Excess fees were not reported and paid to the county in compliance with state statute

OFFICES OF COUNTY CLERK AND CLERK AND MASTER

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.06	152	Multiple employees operated from the same cash drawer

OFFICES OF FINANCE DIRECTOR, COUNTY CLERK, AND SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.08	153	Duties were not segregated adequately

HENDERSON 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 Henderson County is unmodified.
2. The audit of the financial statements of Henderson County disclosed significant deficiencies in internal control. None of these deficiencies was considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Henderson County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unmodified opinion was issued on compliance for major programs.
6. The audit revealed no findings that were required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555) and Title I Grants to Local Educational Agencies (CFDA No. 84.010) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Henderson County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

OFFICE OF FINANCE DIRECTOR

FINDING 2013-001 **PURCHASE ORDERS WERE NOT ISSUED IN SOME INSTANCES**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

As part of our audit procedures for determining whether the purchasing process was operating as designed, we selected a sample of 64 disbursements totaling \$401,191 from a population of 6,100 vendor checks totaling \$23,020,962. Our sample revealed that purchase orders were not issued in 10 of 21 applicable instances. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments. The failure to issue purchase orders could result in unauthorized purchases, purchases made without adequate appropriations, or undocumented purchasing commitments. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

This is a problem at the Highway Department that has been addressed with the Finance Committee, Budget Committee, and Road Supervisor. I have no control over the lack of cooperation.

FINDING 2013-002 **DESIGNATED SITUS-BASED TAXES WERE INADEQUATE TO FUND RURAL FIRE PROTECTION**
(Noncompliance Under *Government Auditing Standards*)

Henderson County has used questionable methods of funding rural fire protection since 1994. Effective May 1999, counties have been authorized to fund rural fire protection services with designated situs-based taxes. In 2001, the Henderson County Commission designated certain situs-based taxes in the General Fund to be used to fund rural fire protection. Only once in the last 11 years have the collections from these situs-based taxes been sufficient to cover the expenditures for rural fire protection.

During the 2012-13 year, Henderson County expended \$388,058 from the General Fund to provide fire protection service to rural areas of the county. However, the situs-based taxes totaled \$219,417 for the year and were not sufficient to cover the operating expenditures of \$388,058. Therefore, property taxes of all county citizens, living both inside and outside the City of Lexington, helped to fund this service. Citizens living within the City of Lexington paid for fire protection service in both the city and rural areas. This deficiency continues to exist due to management's failure to correct the deficiency noted in prior-year audit reports.

RECOMMENDATION

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

FINDING 2013-003

THE OFFICE HAD DEFICIENCIES IN ACCOUNTING FOR EMPLOYEE HEALTH INSURANCE TRANSACTIONS (Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The School Department participates in the state-administered Local Education Group Insurance Fund to provide its employees with health insurance coverage. Insurance premiums are funded by employee payroll deductions and School Department contributions that are deposited into an insurance clearing account. Employee payroll deductions and corresponding School Department contributions for health insurance premiums were not reconciled with health insurance billings monthly. As a result, at June 30, 2013, the School Department had an unidentified balance of \$190,085 in the insurance clearing account. Sound business practices dictate that employee payroll deductions and the employer's contributions for health insurance premiums be reconciled with billings for health insurance coverage monthly. The failure to regularly reconcile payroll deduction accounts and the employer's contributions with billings is a significant deficiency that increases the risk that errors will not be discovered and corrected in a timely manner. These deficiencies resulted from a lack of management oversight and the failure to ensure that employee health insurance transactions were reconciled.

RECOMMENDATION

Officials should ensure that employee health insurance deductions and School Department health insurance contributions are reconciled with health insurance billings monthly. Any errors discovered should be corrected promptly. Steps should be taken to identify the balance in the insurance clearing account.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

This is an accrual account that has been in error for several years. In fact, during the past two years, this office has worked diligently to reconcile this account.

FINDING 2013-004

AN UNAUTHORIZED SALARY SUPPLEMENT WAS PAID TO THE FINANCE DIRECTOR

(Noncompliance Under *Government Auditing Standards*)

During the audit period, the finance director received a salary supplement of \$1,550 from the School Federal Projects Fund in addition to her regular salary paid from the county's General Fund. On March 24, 2011, the County Commission set the finance director's annual salary at \$1 less than the county trustee's salary. The additional supplement of \$1,550 exceeded the maximum amount approved by the County Commission.

RECOMMENDATION

All salaries should be properly authorized and should not exceed approved amounts. Officials should determine the propriety of the finance director's additional salary supplement.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

This was an amount approved by the director of schools out of federal funds due to the fact that the grant was going to be lost otherwise, since the employee in charge of the grant terminated employment. Since it was federal funds, this office did not know that the County Commission's approval was needed.

AUDITOR'S COMMENT

Section 5-9-401, *Tennessee Code Annotated*, states that "All funds from whatever source derived, including, but not limited to taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies."

OFFICE OF COUNTY CLERK

FINDING 2013-005

DEFICIENCIES WERE NOTED IN CASH RECONCILIATION PROCEDURES

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

Employees did not accurately reconcile their cash drawer collections with the daily computer receipts report. Instead of identifying differences between daily receipts and collections, the differences were posted as adjustments to an over/short account. This account had an unidentified balance of \$83 at June 30, 2013. Sound business practices dictate that receipts be reconciled with collections daily and any differences identified and corrected. The failure to reconcile collections with receipt reports allows errors to remain undiscovered and uncorrected and increases the risk of fraud and abuse. This deficiency can be attributed to a lack of understanding of internal controls and sound business practices.

RECOMMENDATION

Employees should reconcile receipts with each cash drawer's collections daily, and any errors discovered should be corrected promptly. The over/short account should not be used as a substitute for reconciling and correcting differences.

OFFICES OF COUNTY CLERK AND CIRCUIT COURT CLERK

FINDING 2013-006

EXCESS FEES WERE NOT REPORTED AND PAID TO THE COUNTY IN COMPLIANCE WITH STATE STATUTE

(Material Noncompliance Under *Government Auditing Standards*)

The county clerk and circuit court clerk did not report and pay excess fees to the county in compliance with Section 8-22-104, *Tennessee Code Annotated*. This statute requires excess fees to be reported and paid to the county quarterly and authorizes the clerks to retain sufficient fees to operate their offices for three months. Excess fees retained in these offices exceeded statutory limits for each quarter covered by our examination. The county clerk paid excess fees of \$52,147 during the period under examination; however excess fees totaled \$691,789 on June 30, 2013, and were approximately \$640,000 more than the amount permitted by state statute. The circuit court clerk paid excess fees of \$85,000 during the period under examination; however excess fees totaled \$363,717 on June 30, 2013, and were approximately \$272,000 more than the amount permitted by state statute. Therefore, approximately \$912,000 (\$640,000 plus \$272,000) is due to the county's General Fund, which could be used to pay county expenses. This deficiency exists because management failed to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

OFFICES OF COUNTY CLERK AND CLERK AND MASTER

FINDING 2013-007

MULTIPLE EMPLOYEES OPERATED FROM THE SAME CASH DRAWER

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

Multiple employees operated from the same cash drawer in the Offices of County Clerk and Clerk and Master. Good internal controls dictate that each employee have their own cash drawer, start the day with a standard fixed amount of cash, and remove all but the beginning amount at the end of the day. This amount should be verified to the employee's receipts at the end of each day. Failure to adhere to this control regimen greatly increases

the risk that a cash shortage may not be detected in a timely manner. Furthermore, in the event of a cash shortage, officials would not be able to determine who was responsible for the shortage because multiple employees were working from one cash drawer. This deficiency has been a management decision by the officials resulting in a loss of control over assets. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

Officials should assign each employee their own cash drawer.

OFFICES OF FINANCE DIRECTOR, COUNTY CLERK, AND SHERIFF

FINDING 2013-008

DUTIES WERE NOT SEGREGATED ADEQUATELY

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

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

RECOMMENDATION

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

BEST PRACTICE

HENDERSON COUNTY SHOULD ESTABLISH AN AUDIT COMMITTEE

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

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

There were no findings and questioned costs for federal awards.

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

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