
ANNUAL FINANCIAL REPORT HENRY COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2012



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

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

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

HENRY COUNTY, TENNESSEE

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Audit Highlights
Annual Financial Report
Henry County, Tennessee
For the Year Ended June 30, 2012

Scope

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

Results

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

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

Findings and Best Practices

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

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ Expenditures exceeded appropriations.

OFFICE OF GENERAL SESSIONS COURT CLERK

- ◆ A cash shortage of \$29,291.10 existed as of August 19, 2011.
- ◆ Duties were not segregated adequately.
- ◆ Official prenumbered receipts were not issued for all collections.
- ◆ The office did not deposit some funds within three days of collection.

OFFICE OF JUVENILE COURT CLERK

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

OFFICES OF REGISTER AND SHERIFF

- ◆ Duties were not segregated adequately.
-

BEST PRACTICES

The Division of Local Government Audit strongly believes that the items noted below are best practices that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of Henry County.

- Henry County should adopt a central system of accounting, budgeting, and purchasing.
- Henry County should establish an Audit Committee.

INTRODUCTORY SECTION

Henry County Officials

June 30, 2012

Officials

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

Board of County Commissioners

Brent Greer, County Mayor, Chairman	Paul Mathenia
Earl Anderson	Connie McSwain
Wes Bradley	Paul Neal
Dell Carter	Dan Paschall
Bobby Freeman	Monte Starks
Kenneth Humphreys	James Travis
Don Jones	Marty Visser
Kreg Kyle	David Webb

Board of Education

Patricia Reimold, Chairman
Tom Beasley
Doug Braden
Jim McCampbell
Robert Sleadd

Highway Commission

Ronald Brown, Chairman
Cody Craig
Keith Hopkins
Vic Mallard
Bobby Milam
Don Norwood

FINANCIAL SECTION



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
SUITE 1500
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INDEPENDENT AUDITOR'S REPORT

November 27, 2012

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henry County, Tennessee, as of and for the year ended June 30, 2012, which collectively comprise Henry County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Henry County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Henry County Medical Center, which represent 70 percent and 71 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Henry County Medical Center, is based on the report of other auditors.

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

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

In our opinion, based on our audit and the report of other auditors, except for the effects of not including the financial statements of the Henry County Emergency Communications District as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Henry County, Tennessee, as of June 30, 2012, and the results of operations of the aggregate discretely presented component units, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Henry County, Tennessee, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2012, on our consideration of Henry County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

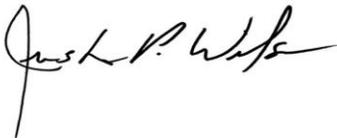
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required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

Accounting principles generally accepted in the United States of America require that the budgetary comparison, pension, and other postemployment benefits information on pages 71 through 79 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational,

economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury

JPW/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Primary Government Governmental Activities	Component Units	
		Henry County School Department	Henry County Medical Center
<u>ASSETS</u>			
Cash	\$ 13,226	\$ 0	\$ 948,280
Equity in Pooled Cash and Investments	7,166,885	4,816,671	0
Inventories	0	0	2,111,494
Investments	0	0	7,227,537
Accounts Receivable	167,761	0	22,094,536
Allowance for Uncollectibles	0	0	(9,823,000)
Due from Other Governments	1,153,442	1,038,702	0
Property Taxes Receivable	5,403,035	4,897,334	0
Allowance for Uncollectible Property Taxes	(130,694)	(118,462)	0
Prepaid Items	0	0	775,416
Cash Shortage	73,852	0	0
Other Current Assets	0	0	1,983,441
Other Restricted Assets	0	0	11,735,380
Deferred Charges - Debt Issuance Costs	208,184	0	0
Capital Assets:			
Assets Not Depreciated:			
Land	5,164,075	610,066	892,250
Construction in Progress	1,478,622	0	1,708,950
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	4,565,544	22,672,060	32,274,413
Infrastructure	15,953,772	0	0
Other Capital Assets	608,132	1,720,717	7,620,119
Goodwill and Other Intangible Assets	0	0	5,141,270
Total Assets	<u>\$ 41,825,836</u>	<u>\$ 35,637,088</u>	<u>\$ 84,690,086</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 21,171	\$ 47,820	\$ 2,000,418
Payroll Deductions Payable	0	364	0
Accrued Interest Payable	110,233	0	0
Other Current Liabilities	0	0	3,854,981
Deferred Revenue - Current Property Taxes	5,087,746	4,611,554	0
Noncurrent Liabilities:			
Due Within One Year	1,913,946	3,643	1,456,181
Due in More Than One Year (net of deferred amount on refunding and unamortized premium on debt)	20,942,430	1,599,269	23,542,638
Total Liabilities	<u>\$ 28,075,526</u>	<u>\$ 6,262,650</u>	<u>\$ 30,854,218</u>

(Continued)

Exhibit A

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

	Primary Government Governmental Activities	Component Units	
		Henry County School Department	Henry County Medical Center
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 24,065,412	\$ 0	\$ 17,496,913
Invested in Capital Assets	0	25,002,843	0
Restricted for:			
Public Safety	202,410	0	0
Public Health and Welfare	38,152	0	0
Other Operations	79,770	0	0
Highway/Public Works	786,543	0	0
Education	0	371,679	0
Operation of Non-Instructional Services	0	615,380	0
Capital Outlay	469,446	0	0
Unrestricted	<u>(11,891,423)</u>	<u>3,384,536</u>	<u>36,338,955</u>
Total Net Assets	<u>\$ 13,750,310</u>	<u>\$ 29,374,438</u>	<u>\$ 53,835,868</u>

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

Exhibit B

Henry County, Tennessee
Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Program Revenues						Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Units		Primary Governmental Activities	Henry County School Department	Henry County Medical Center
					Henry County School Department	Henry County Medical Center			
Primary Government:									
Governmental Activities:									
General Government	\$ 544,449	\$ 424,776	\$ 15,164	\$ 0	\$ 0	(104,509)	\$ 0	\$ 0	0
Finance	989,382	846,699	0	0	0	(142,683)	0	0	0
Administration of Justice	1,119,771	673,891	9,442	0	0	(436,438)	0	0	0
Public Safety	5,130,808	1,665,667	171,225	0	0	(3,293,916)	0	0	0
Public Health and Welfare	828,815	284,057	65,129	0	0	(479,629)	0	0	0
Social, Cultural, and Recreational Services	307,962	0	38,599	0	0	(269,363)	0	0	0
Agriculture and Natural Resources	164,009	0	0	0	0	(164,009)	0	0	0
Other Operations	1,924,980	481,672	789,756	1,713,551	1,059,999	1,059,999	0	0	0
Highways	5,610,146	53,612	1,904,462	382,940	(3,269,132)	(3,269,132)	0	0	0
Interest on Long-term Debt	892,842	0	1,688,630	0	0	795,788	0	0	0
Other Debt Service	36,187	0	1,188	0	0	(34,999)	0	0	0
Total Primary Government	\$ 17,549,351	\$ 4,430,374	\$ 4,683,595	\$ 2,096,491	\$ (6,338,891)	\$ 0	\$ 0	\$ 0	0
Component Units:									
Henry County School Department	\$ 30,338,746	\$ 745,257	\$ 4,814,120	\$ 0	\$ 0	0	\$ (24,779,369)	\$ 0	0
Henry County Medical Center	71,432,873	68,483,644	0	0	0	0	0	(2,949,229)	
Total Component Units	\$ 101,771,619	\$ 69,228,901	\$ 4,814,120	\$ 0	\$ 0	\$ 0	\$ (24,779,369)	\$ (2,949,229)	0

(Continued)

Exhibit B

Henry County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Expenses	Component Units		
					Primary Governmental Activities	Henry County School Department	Henry County Medical Center
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes				\$ 4,931,228	\$ 4,760,748	\$	0
Property Taxes Levied for Debt Service				250,418	0		0
Local Option Sales Taxes				644,710	2,732,384		0
Hotel/Motel Tax				233,032	0		0
Wheel Tax				968,701	0		0
Litigation Tax - General				104,811	0		0
Business Tax				136,317	127,109		0
Wholesale Beer Tax				453,411	0		0
Other Local Taxes				36,748	1,229		0
Grants and Contributions Not Restricted to Specific Programs				700,653	16,671,827		0
Unrestricted Investment Income				63,747	0		57,931
Miscellaneous				35,317	170,462		3,178,328
Total General Revenues				<u>\$ 8,559,093</u>	<u>\$ 24,463,759</u>	<u>\$</u>	<u>3,236,259</u>
Change in Net Assets				\$ 2,220,202	(315,610)	\$	287,030
Net Assets, July 1, 2011				<u>11,530,108</u>	<u>29,690,048</u>		<u>53,548,838</u>
Net Assets, June 30, 2012				<u>\$ 13,750,310</u>	<u>\$ 29,374,438</u>	<u>\$</u>	<u>53,835,868</u>

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

Exhibit C-1

Henry County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2012

	Major Funds			Nonmajor Funds	Total Govern- mental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 13,226	\$ 13,226
Equity in Pooled Cash and Investments	3,205,538	355,788	2,635,124	970,435	7,166,885
Accounts Receivable	136,845	0	0	30,916	167,761
Due from Other Governments	809,426	339,760	961	3,295	1,153,442
Due from Other Funds	13,226	429,405	0	0	442,631
Property Taxes Receivable	3,329,438	1,518,691	262,850	292,056	5,403,035
Allowance for Uncollectible Property Taxes	(80,536)	(36,736)	(6,358)	(7,064)	(130,694)
Cash Shortage	30,072	0	0	43,780	73,852
Total Assets	\$ 7,444,009	\$ 2,606,908	\$ 2,892,577	\$ 1,346,644	\$ 14,290,138
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 7,189	\$ 9,740	\$ 0	\$ 4,242	\$ 21,171
Due to Other Funds	429,405	0	0	13,226	442,631
Deferred Revenue - Current Property Taxes	3,135,151	1,430,069	247,512	275,014	5,087,746
Deferred Revenue - Delinquent Property Taxes	104,758	47,751	8,288	9,183	169,980
Other Deferred Revenues	238,772	161,900	0	0	400,672
Total Liabilities	\$ 3,915,275	\$ 1,649,460	\$ 255,800	\$ 301,665	\$ 6,122,200
<u>Fund Balances</u>					
Restricted:					
Restricted for Public Safety	\$ 7,005	\$ 0	\$ 0	\$ 195,405	\$ 202,410
Restricted for Public Health and Welfare	28,969	0	0	0	28,969
Restricted for Other Operations	79,770	0	0	0	79,770
Restricted for Highways/Public Works	0	629,544	0	0	629,544
Restricted for Capital Outlay	0	0	0	469,446	469,446
Restricted for Debt Service	0	0	1,257,605	0	1,257,605
Committed:					
Committed for Public Safety	1,734	0	0	0	1,734
Committed for Public Health and Welfare	0	0	0	380,128	380,128
Committed for Highways/Public Works	0	327,904	0	0	327,904
Committed for Debt Service	0	0	1,379,172	0	1,379,172
Assigned:					
Assigned for General Government	7,483	0	0	0	7,483
Assigned for Finance	360	0	0	0	360
Assigned for Administration of Justice	933	0	0	0	933
Assigned for Public Safety	28,151	0	0	0	28,151
Assigned for Public Health and Welfare	633	0	0	0	633
Assigned for Other Operations	283,005	0	0	0	283,005
Unassigned	3,090,691	0	0	0	3,090,691
Total Fund Balances	\$ 3,528,734	\$ 957,448	\$ 2,636,777	\$ 1,044,979	\$ 8,167,938
Total Liabilities and Fund Balances	\$ 7,444,009	\$ 2,606,908	\$ 2,892,577	\$ 1,346,644	\$ 14,290,138

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

Exhibit C-2

Henry County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2012

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	8,167,938
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	5,164,075	
Add: construction in progress		1,478,622	
Add: buildings and improvements net of accumulated depreciation		4,565,544	
Add: infrastructure net of accumulated depreciation		15,953,772	
Add: other capital assets net of accumulated depreciation		608,132	27,770,145
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(2,207,555)	
Less: other loans payable		(2,337,300)	
Less: bonds payable		(15,854,078)	
Add: deferred charges - debt issuance costs		208,184	
Add: deferred amount on refunding		54,896	
Less: other deferred revenue - premium on debt		(12,261)	
Less: accrued interest on notes and bonds		(110,233)	
Less: accreted interest on bonds		(2,118,951)	
Less: other postemployment benefits liability		(52,652)	
Less: compensated absences payable		(328,475)	(22,758,425)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			570,652
Net assets of governmental activities (Exhibit A)		\$	<u>13,750,310</u>

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

Exhibit C-3

Henry County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other	
				Govern- mental Funds	
Revenues					
Local Taxes	\$ 5,224,029	\$ 1,537,759	\$ 830,153	\$ 296,672	\$ 7,888,613
Licenses and Permits	136,033	0	0	0	136,033
Fines, Forfeitures, and Penalties	194,499	0	0	42,128	236,627
Charges for Current Services	148,247	0	0	0	148,247
Other Local Revenues	612,307	55,444	125,111	296,805	1,089,667
Fees Received from County Officials	1,485,413	0	0	0	1,485,413
State of Tennessee	3,915,143	2,115,873	0	20,434	6,051,450
Federal Government	498,859	176,881	0	1,497	677,237
Other Governments and Citizens Groups	374,202	0	1,688,630	25,000	2,087,832
Total Revenues	\$ 12,588,732	\$ 3,885,957	\$ 2,643,894	\$ 682,536	\$ 19,801,119
Expenditures					
Current:					
General Government	\$ 944,894	\$ 0	\$ 0	\$ 0	\$ 944,894
Finance	777,972	0	0	0	777,972
Administration of Justice	834,742	0	0	0	834,742
Public Safety	3,313,530	0	0	150,030	3,463,560
Public Health and Welfare	143,062	0	0	566,474	709,536
Social, Cultural, and Recreational Services	260,145	0	0	0	260,145
Agriculture and Natural Resources	156,231	0	0	0	156,231
Other Operations	4,732,505	0	12,120	5,764	4,750,389
Highways	0	4,768,533	0	0	4,768,533
Debt Service:					
Principal on Debt	0	450,000	2,025,312	0	2,475,312
Interest on Debt	0	6,467	804,904	0	811,371
Other Debt Service	0	5,132	9,454	0	14,586
Capital Projects	0	0	0	340,507	340,507
Total Expenditures	\$ 11,163,081	\$ 5,230,132	\$ 2,851,790	\$ 1,062,775	\$ 20,307,778
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,425,651	\$ (1,344,175)	\$ (207,896)	\$ (380,239)	\$ (506,659)
Other Financing Sources (Uses)					
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 253,716	\$ 253,716
Other Loans Issued	0	942,336	0	0	942,336
Insurance Recovery	49,079	54,578	0	0	103,657
Transfers In	0	434,405	42,848	0	477,253
Transfers Out	(459,405)	0	0	(17,848)	(477,253)
Total Other Financing Sources (Uses)	\$ (410,326)	\$ 1,431,319	\$ 42,848	\$ 235,868	\$ 1,299,709
Net Change in Fund Balances	\$ 1,015,325	\$ 87,144	\$ (165,048)	\$ (144,371)	\$ 793,050
Fund Balance, July 1, 2011	2,513,409	870,304	2,801,825	1,189,350	7,374,888
Fund Balance, June 30, 2012	\$ 3,528,734	\$ 957,448	\$ 2,636,777	\$ 1,044,979	\$ 8,167,938

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

Exhibit C-4

Henry County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2012

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

Net change in fund balances - total governmental funds (Exhibit C-3)	\$	793,050
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$	2,321,543
Less: current-year depreciation expense		<u>(2,010,126)</u>
		311,417
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Less: proceeds received from the disposal of capital assets		(37,112)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2012	\$	570,652
Less: deferred delinquent property taxes and other deferred June 30, 2011		<u>(566,294)</u>
		4,358
(4) The issuance of long-term debt (e.g., notes, other loans, bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Less: note proceeds	\$	(253,716)
Less: other loan proceeds		(942,336)
Add: change in premium on debt issuances		1,188
Less: change in deferred debt issuance costs		(21,601)
Less: change in deferred amount on refunding debt		(17,063)
Add: principal payments on notes		584,276
Add: principal payments on bonds		872,438
Add: principal payments on other loans		<u>1,018,598</u>
		1,241,784
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest on notes and bonds	\$	5,309
Change in accreted interest on bonds		(69,717)
Change in compensated absences payable		(15,252)
Change in other postemployment benefits liability		<u>(13,635)</u>
		(93,295)
Change in net assets of governmental activities (Exhibit B)	\$	<u><u>2,220,202</u></u>

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

Exhibit D

Henry County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2012

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,150,358
Equity in Pooled Cash and Investments	482,841
Accounts Receivable	4,649
Due from Other Governments	902,650
Property Taxes Receivable	3,619,985
Allowance for Uncollectible Property Taxes	(86,820)
Cash Shortage	<u>29,291</u>
Total Assets	<u>\$ 6,102,954</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 4,632,211
Due to Litigants, Heirs, and Others	1,182,906
Due to Joint Ventures	<u>287,837</u>
Total Liabilities	<u>\$ 6,102,954</u>

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

HENRY COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

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

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

Administrative Offices:

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

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

B. Government-wide and Fund Financial Statements

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

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

Henry County issues all debt for the discretely presented Henry County School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2012.

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

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

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

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

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

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

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

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

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

Henry County reports the following major governmental funds:

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

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

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

Additionally, Henry County reports the following fund types:

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Henry County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is

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

2. Receivables and Payables

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.3 percent of total taxes levied.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as deferred revenue as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for

uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty the following March 1. Suit must be filed in Chancery Court between the following February 1 to April 1 for any remaining unpaid taxes. Additional costs attach to delinquent taxes after a court suit has been filed.

3. Capital Assets

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

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

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

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

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

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

4. Compensated Absences

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

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

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

5. Long-term Obligations

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

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

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

6. Net Assets and Fund Equity

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

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

The government-wide Statement of Net Assets reports \$1,576,321 of restricted net assets for the primary government, of which \$79,770 is restricted by enabling legislation.

At June 30, 2012, Henry County had \$16,694,200 in outstanding debt for capital purposes for the discretely presented Henry County School Department. The debt is a liability of Henry County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Henry County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

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's Budget Committee and the Board of Education are authorized bodies to make assignments.

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Henry County School Department

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

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

Primary Government

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

Discretely Presented Henry County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

The budgetary level of control is at the major category level established by the County Uniform Chart of Accounts, as prescribed by the Comptroller of

the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, Other Boards and Committees, County Mayor/Executive, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

At June 30, 2012, Henry County and the Henry County School Department reported the following significant encumbrances:

Fund	Description	Amount
Primary Government:		
Major Fund:		
General	Water Supply Main	\$ 187,375
School Department:		
Major Fund:		
General Purpose School	Textbooks	96,900
"	Bus	86,584
"	Soccer Field Lights	41,089

B. Cash Shortages – Prior and Current Years

The audit of Henry County for the 2005-06 year reported a cash shortage of \$162,658 existed in the General (\$118,878), Drug Control (\$23,502), and General Capital Projects (\$20,278) funds as a result of irregularities in the Office of Sheriff. Former Sheriff David Bumpus, former business manager Faye Scott, and former owner of Elite Firearms, Jason Ferren, all pled guilty to various charges and received various sentences and fines. These three defendants have been ordered to pay restitution totaling \$71,512. This amount is net of estimated auction proceeds of items recovered from David Bumpus. The actual auction proceeds received during the 2008-09 year totaled \$12,205. During the 2011-12 fiscal year, restitution was received from David Bumpus totaling \$19,841. As of June 30, 2012, the cash shortage totaled \$73,852, which included the General (\$30,072), Drug Control (\$23,502), and General Capital Projects (\$20,278) funds.

The Office of General Sessions Court Clerk had a cash shortage of \$29,291.10 at June 30, 2012. Details of this cash shortage are discussed in the Findings and Questioned Costs section of this report.

C. **Expenditures Exceeded Appropriations**

Total expenditures exceeded total appropriations approved by the County Commission in the discretely presented Henry County School Department's Central Cafeteria Fund by \$141,084. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by greater than anticipated revenues.

IV. **DETAILED NOTES ON ALL FUNDS**

A. **Deposits and Investments**

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

Deposits

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

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

Investments

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

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

The county had no pooled or nonpooled investments as of June 30, 2012.

B. Capital Assets

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

Primary Government

Governmental Activities:

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital Assets Not Depreciated:				
Land	\$ 5,128,772	\$ 38,500	\$ (3,197)	\$ 5,164,075
Construction in Progress	572,432	1,288,591	(382,401)	1,478,622
Total Capital Assets Not Depreciated	<u>\$ 5,701,204</u>	<u>\$ 1,327,091</u>	<u>\$ (385,598)</u>	<u>\$ 6,642,697</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 8,524,742	\$ 662,286	\$ 0	\$ 9,187,028
Infrastructure	39,524,272	472,766	0	39,997,038
Other Capital Assets	4,027,147	241,801	(160,275)	4,108,673
Total Capital Assets Depreciated	<u>\$ 52,076,161</u>	<u>\$ 1,376,853</u>	<u>\$ (160,275)</u>	<u>\$ 53,292,739</u>

Governmental Activities (Cont.):

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 4,312,286	\$ 309,198	\$ 0	\$ 4,621,484
Infrastructure	22,587,651	1,455,615	0	24,043,266
Other Capital Assets	3,381,588	245,313	(126,360)	3,500,541
Total Accumulated Depreciation	<u>\$ 30,281,525</u>	<u>\$ 2,010,126</u>	<u>\$ (126,360)</u>	<u>\$ 32,165,291</u>
Total Capital Assets Depreciated, Net	<u>\$ 21,794,636</u>	<u>\$ (633,273)</u>	<u>\$ (33,915)</u>	<u>\$ 21,127,448</u>
Governmental Activities Capital Assets, Net	<u>\$ 27,495,840</u>	<u>\$ 693,818</u>	<u>\$ (419,513)</u>	<u>\$ 27,770,145</u>

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

Governmental Activities:

General Government	\$ 41,093
Administration of Justice	909
Public Safety	325,079
Public Health and Welfare	64,869
Social, Cultural, and Recreational Services	2,094
Other Operations	133,803
Highways/Public Works	<u>1,442,279</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,010,126</u>

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

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital Assets Not Depreciated:				
Land	\$ 610,066	\$ 0	\$ 0	\$ 610,066
Construction in Progress	<u>3,459,151</u>	<u>0</u>	<u>(3,459,151)</u>	<u>0</u>
Total Capital Assets Not Depreciated	<u>\$ 4,069,217</u>	<u>\$ 0</u>	<u>\$ (3,459,151)</u>	<u>\$ 610,066</u>

Governmental Activities (Cont.):

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital Assets				
Depreciated:				
Buildings and				
Improvements	\$ 43,795,954	\$ 3,695,800	\$ 0	\$ 47,491,754
Other Capital Assets	4,772,709	458,095	(113,170)	5,117,634
Total Capital Assets				
Depreciated	\$ 48,568,663	\$ 4,153,895	\$ (113,170)	\$ 52,609,388
Less Accumulated				
Depreciation For:				
Buildings and				
Improvements	\$ 23,194,706	\$ 1,624,988	\$ 0	\$ 24,819,694
Other Capital Assets	3,108,752	400,481	(112,316)	3,396,917
Total Accumulated				
Depreciation	\$ 26,303,458	\$ 2,025,469	\$ (112,316)	\$ 28,216,611
Total Capital Assets				
Depreciated, Net	\$ 22,265,205	\$ 2,128,426	\$ (854)	\$ 24,392,777
Governmental Activities				
Capital Assets, Net	\$ 26,334,422	\$ 2,128,426	\$ (3,460,005)	\$ 25,002,843

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

Governmental Activities:

Instruction	\$ 1,591,384
Support Services	355,545
Operation of Non-Instructional Services	78,540
Total Depreciation Expense -	
Governmental Activities	<u>\$ 2,025,469</u>

C. Interfund Receivables, Payables, and Transfers

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

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 13,226
Highway/Public Works	General	429,405
Discretely Presented School Department:		
General Purpose School	School Federal Projects	13,221

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

Interfund Transfers:

Interfund transfers for the year ended June 30, 2012, consisted of the following amounts:

Primary Government

Transfers Out	Transfers In	
	Highway/ Public Works Fund	General Debt Service Fund
General Fund	\$ 434,405	\$ 25,000
Nonmajor governmental fund	0	17,848
Total	<u>\$ 434,405</u>	<u>\$ 42,848</u>

Discretely Presented Henry County School Department

Transfers Out	Transfers In
	General Purpose School Fund
School Federal Projects Fund	\$ 13,234
Nonmajor governmental fund	91,311
Total	<u>\$ 104,545</u>

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

D. Long-term Debt

Primary Government

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 22 years for bonds, up to 12 years for notes, and up to 19 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in the long-term debt as of June 30, 2012, will be retired from the General Debt Service and Highway/Public Works funds.

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

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-12
General Obligation Bonds	1.6 to 4.6%	5-1-26	\$ 9,100,000	\$ 9,010,000
General Obligation Bonds - Refunding	3 to 3.85	5-1-18	5,790,000	4,045,000
Capital Accretion Bonds	4.6 to 5.2	5-1-21	3,693,361	2,799,078
Other Loans	variable	5-25-18	5,800,000	2,337,300
Capital Outlay Notes	0 to 3.99	11-20-22	3,125,872	2,207,555

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

connection with this loan. At June 30, 2012, the variable interest rate was .57 percent, and other fees totaled approximately .25 percent (letter of credit), and .15 percent (remarketing) of the outstanding loan principal. The loan is also assessed an annual trustee fee of \$720.

In prior years, Henry County entered into a loan agreement with the Montgomery County Public Building Authority. Under the loan agreement, the authority loaned \$2,800,000 to Henry County for road improvements. The loan is repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with this loan. At June 30, 2012, the variable interest rate was .49 percent and other fees totaled approximately .25 percent (letter of credit), and .15 percent (remarketing) of the outstanding loan principal. The loan is also assessed an annual trustee fee of \$720.

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

Year Ending June 30	Bonds		
	Principal	Interest	Total
2013	\$ 880,447	\$ 736,803	\$ 1,617,250
2014	885,341	731,064	1,616,405
2015	898,169	726,240	1,624,409
2016	1,168,040	712,930	1,880,970
2017	1,195,910	690,460	1,886,370
2018-2022	5,096,171	4,385,304	9,481,475
2023-2026	5,730,000	551,340	6,281,340
Total	\$ 15,854,078	\$ 8,534,141	\$ 24,388,219

Year Ending June 30	Notes		
	Principal	Interest	Total
2013	\$ 334,420	\$ 47,738	\$ 382,158
2014	339,055	42,487	381,542
2015	256,394	37,122	293,516
2016	261,315	32,201	293,516
2017	266,379	27,137	293,516
2018-2022	684,950	66,626	751,576
2023	65,042	2,094	67,136
Total	\$ 2,207,555	\$ 255,405	\$ 2,462,960

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2013	\$ 483,100	\$ 12,011	\$ 5,249	\$ 500,360
2014	508,200	9,467	3,975	521,642
2015	535,000	6,792	2,632	544,424
2016	304,000	3,974	1,217	309,191
2017	319,000	2,484	761	322,245
2018	188,000	921	282	189,203
Total	\$ 2,337,300	\$ 35,649	\$ 14,116	\$ 2,387,065

There is \$2,636,777 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$490, based on the 2010 federal census. Debt per capita, including bonds, notes, and other loans totaled \$631, based on the 2010 federal census.

Changes in Long-term Liabilities

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

Governmental Activities:

	Bonds		Notes		Accreted Interest	
	Balance, July 1, 2011	\$ 16,726,516	\$	2,538,115	\$	2,049,234
Additions	0		253,716		257,279	
Reductions	(872,438)		(584,276)		(187,562)	
Balance, June 30, 2012	\$ 15,854,078	\$	2,207,555	\$	2,118,951	
Balance Due Within One Year	\$ 880,447	\$	334,420	\$	199,553	

	Other Loans		Compensated Absences		Other Postemployment Benefits	
	Balance, July 1, 2011	\$ 2,413,562	\$	313,223	\$	39,017
Additions	942,336		317,273		16,904	
Reductions	(1,018,598)		(302,021)		(3,269)	
Balance, June 30, 2012	\$ 2,337,300	\$	328,475	\$	52,652	
Balance Due Within One Year	\$ 483,100	\$	16,426	\$	0	

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2012	\$ 22,899,011
Less: Balance Due Within One Year	(1,913,946)
Less: Deferred Amount on Refunding	(54,896)
Add: Unamortized Premium on Debt	<u>12,261</u>

Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u><u>\$ 20,942,430</u></u>
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Compensated absences and other postemployment benefits will be paid from the employing funds, primarily the General and Highway/Public Works funds.

Discretely Presented Henry County School Department

Changes in Long-term Liabilities

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

Governmental Activities:

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2011	\$ 71,818	\$ 1,260,437
Additions	54,776	506,900
Reductions	<u>(53,736)</u>	<u>(237,283)</u>
Balance, June 30, 2012	<u><u>\$ 72,858</u></u>	<u><u>\$ 1,530,054</u></u>
Balance Due Within One Year	<u><u>\$ 3,643</u></u>	<u><u>\$ 0</u></u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2012	\$ 1,602,912
Less: Balance Due Within One Year	<u>(3,643)</u>

Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u><u>\$ 1,599,269</u></u>
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Compensated absences and other postemployment benefits will be paid from the employing fund, primarily the General Purpose School Fund.

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Henry County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2012, were \$148,394 and \$23,158, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. OTHER INFORMATION

A. Risk Management

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

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

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

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

B. Contingent Liabilities

The Henry County Medical Center has entered into a loan agreement with the Montgomery County Public Building Authority. Under this loan agreement, the authority loaned \$16,500,000 to the medical center. The medical center has also issued capital outlay notes of \$6,000,000. The medical center has used the loan and note proceeds for construction, acquisition, and/or enlargement of its buildings, structures, and facilities. As of June 30, 2012, the medical center had \$12,411,000 outstanding on the loan, and \$5,514,290 outstanding on the capital outlay notes. Henry County would become liable for the repayment of the loan and notes in the event of default by the medical center.

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

C. Joint Ventures

The Twenty-fourth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twenty-fourth Judicial District; Benton, Carroll, Decatur, Hardin, and Henry counties; and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within the judicial district. Henry County made no contributions to the DTF for the year ended June 30, 2012, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

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

The W.G. Rhea Paris – Henry County Library is a regional library owned by Henry County and the City of Paris and operated by the W.G. Rhea Paris – Henry County Library Board. The board includes seven members, four appointed by the Henry County Commission and three appointed by the City of Paris. Henry County has control over budgeting and financing the joint venture only to the extent of representation by the four board members appointed and is responsible for funding 50 percent of any deficits from operations. Henry County contributed \$123,745 to the operations of the board during the year ended June 30, 2012. Complete financial statements for the W.G. Rhea Paris – Henry County Library can be obtained from the County Clerk’s Office or the library board’s administrative office at the following address:

Administrative Office:

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

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

The Paris-Henry County Industrial Development Committee is a joint venture formed by an interlocal agreement between the city of Paris, Henry County, and the Paris-Henry County Chamber of Commerce. The purpose of the Industrial Development Committee is to provide for the planning, direction, and oversight of economic development for the City of Paris and Henry County. The committee is comprised of the director of economic development, the chief executive of the county or other designee, the mayor of Paris or other designee, one city commissioner, two county commissioners, the city manager of the City of Paris, and the current president of the chamber of commerce. Henry County contributed \$55,000 to the Industrial Development Committee for the year ended June 30, 2012, and does not have an equity interest in this joint venture. Complete financial statements

for the Industrial Development Committee can be obtained from its administrative office at the following address:

Administrative Office:

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

D. Retirement Commitments

Plan Description

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

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

Funding Policy

Henry County requires employees to contribute five percent of their earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2012, was 7.83 percent of annual covered payroll. The contribution requirement of plan

members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2012, Henry County’s annual pension cost of \$2,465,886 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 six years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-12	\$2,465,886	100%	\$0
6-30-11	2,304,972	100	0
6-30-10	2,470,746	100	0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 94.62 percent funded. The actuarial accrued liability for benefits was \$77.82 million, and the actuarial value of assets was \$73.63 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$4.19 million. The covered payroll (annual payroll of active employees covered by the plan) was \$31.31 million, and the ratio of the UAAL to the covered payroll was 13.38 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan

assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

SCHOOL TEACHERS

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

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salary to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 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 \$1,079,155, \$1,079,967, and \$763,019 respectively, equal to the required contributions for each year.

E. Other Postemployment Benefits (OPEB)

Plan Description

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

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop 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. The School Department makes a contribution toward the health insurance premium of the group medical plan for all certified employees that meet length of employment criteria of ten years of service with the Henry County School System and a total of 25 years teaching experience. The School Department pays medical insurance in full for a single individual for a maximum of ten years or until Medicare becomes available. During the year ended June 30, 2012, the Henry County Highway Department and the discretely presented Henry County School Department contributed \$3,269 and \$237,283, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 510,000	\$ 17,000
Interest on the NPO	50,417	1,561
Adjustment to the ARC	(53,517)	(1,657)
Annual OPEB cost	\$ 506,900	\$ 16,904
Less: Amount of contribution	(237,283)	(3,269)
Increase/decrease in NPO	\$ 269,617	\$ 13,635
Net OPEB obligation, 7-1-11	1,260,437	39,017
Net OPEB obligation, 6-30-12	\$ 1,530,054	\$ 52,652

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-10	Local Education Group	\$ 462,094	58 %	\$ 1,074,172
6-30-11	"	471,552	60	1,260,437
6-30-12	"	506,900	47	1,530,054
6-30-10	Local Government Group	23,013	25	22,605
6-30-11	"	23,053	29	39,017
6-30-12	"	16,904	19	52,652

Funded Status and Funding Progress

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

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-11	7-1-11
Actuarial accrued liability (AAL)	\$ 4,740,000	\$ 134,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 4,740,000	\$ 134,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 10,698,815	\$ 1,162,419
UAAL as a % of covered payroll	44%	12%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and

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

Actuarial Methods and Assumptions

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

In the July 1, 2011, actuarial valuation for the Local Education Group and the Local Government Group plans, the projected unit credit actuarial cost method was used and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25 percent for fiscal year 2012. The trend will decrease to 8.75 percent in fiscal year 2013 and then be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. Both rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

F. Purchasing Laws

Office of County Mayor

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

Office of County Road Supervisor

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

Office of Director of Schools

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

VI. OTHER NOTES – DISCRETELY PRESENTED HENRY COUNTY MEDICAL CENTER

A. Nature of Operations

1. Organization

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

2. Acquisition

On December 30, 2011, the medical center acquired certain assets of Kentucky Lake Surgery Center, LLC, for \$5,800,000. The purchase price was funded through the issuance of debt (see Note VI.G.). The medical center incurred various transaction expenses approximating \$72,000, which are included in operating expenses on the accompanying Statement of Revenues, Expenses and Changes in Net Assets. This transaction has been accounted for as an acquisition and, accordingly, the acquisition price was allocated to the assets acquired based upon the fair value of the assets at the date of acquisition. No liabilities were assumed in the transaction. The acquisition resulted in excess costs over the fair value of the assets acquired, which is recorded as goodwill and other intangibles assets in the accompanying Statement of Net Assets. The intangible assets included a certificate of need and non-compete agreements. The non-compete will be amortized over seven years, which is in the term of the agreements. The acquisition was allocated as follows:

Cash	\$	140,804
Patient receivables		107,360
Inventories		140,315
Prepaid expenses		2,521
Property and equipment		230,743
Goodwill and other intangible assets		5,178,257

B. Summary of Significant Accounting Policies

1. Basis of Presentation

The medical center utilizes the proprietary fund method of accounting, whereby revenue and expenses are recognized on the accrual basis. Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the medical center has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) and predecessor standard setting organizations, including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

2. Inventories

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

3. Assets Limited as to Use

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

4. Cash, Cash Equivalents, and Investments

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

Cash and cash equivalents include cash on hand and certificates of deposit, with original maturities of less than three months, with financial institutions. Investments consist of certificates of deposit with original maturities of greater than three months and certain mutual funds. Those investments with original maturities greater than three months but less than one year are classified as short-term

investments, while the remaining amount is classified as long-term. Amounts included in the balance sheet caption “assets limited as to use” consist of cash and cash equivalents. All of the medical center’s cash, cash equivalents, and certificates of deposit are insured or collateralized by securities held by the financial institutions’ trust department in the medical center’s name.

At June 30, 2012, the total carrying value of the medical center’s cash, cash equivalents, and investments was \$19,279,168, and the bank balance was \$20,205,915. The entire financial institution balance as of June 30, 2012, was covered by federal depository insurance or by collateral held by the trustee in the medical center’s name.

A 50 percent interest in a joint venture that provides cancer care services in the Henry County area is included in long-term investments on the accompanying balance sheet. This investment is accounted for under the equity method. The investment balance included in long-term investments is \$632,029 at June 30, 2012.

5. Fair Value Measurements

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, fair value accounting standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity including quoted market prices in active markets for identical assets (Level 1), or significant other observable inputs (Level 2) and the reporting entity’s own assumptions about market participant assumptions (Level 3). While a majority of the medical center’s assets whose use is limited and investments are cash equivalents, the medical center has approximately \$11,500,000 as of June 30, 2012, in certificates of deposit that would be classified as Level 2 under the hierarchy above. The medical center does not have any fair value measurements using significant unobservable inputs (Level 3) as of June 30, 2012.

6. Property and Equipment

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

7. Goodwill and Other Intangible Assets

Goodwill represents the excess of cost over the fair value of net assets acquired in business combinations recorded as purchases (see Note VI.A(2)). The medical center evaluates goodwill and other intangible assets for impairment on an annual basis or more frequently if impairment indicators arise. In the event goodwill and other intangible assets are considered to be impaired, a charge to earnings would be recorded during the period in which management makes such impairment assessment.

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

8. Patient Service Revenue

The medical center has agreements with third-party payors that provide for payments to the medical center at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Patient service revenue is net of contractual adjustments and policy discounts of approximately \$120.5 million for the year ended June 30, 2012. For the year ended June 30, 2012, approximately 61 percent of net patient service revenue was from Medicare and approximately 13 percent was from Medicaid/TennCare.

The medical center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the medical center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. These costs are estimated based on the ratio of total costs to gross charges and totaled \$1,022,829 for the year ended June 30, 2012.

9. Costs of Borrowing

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

10. Pension Plan

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

11. Compensated Absences

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

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

12. Risk Management

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

13. Net Assets

All resources that are not restricted by donors are included in unrestricted net assets. Resources temporarily restricted by donors for specific purposes are reported as temporarily restricted net assets. When specific purposes are achieved, either through passage of a stipulated time or the purpose for restriction is accomplished, they are classified as unrestricted net assets and reported in the Statement of Revenues, Expenses, and Changes in Net Assets. Resources temporarily restricted by donors for additions to land, buildings, and equipment are initially reported as temporarily restricted net assets and are transferred to unrestricted net assets when expended. Donor-imposed restrictions, which stipulate that the resources be maintained permanently, are reported as permanently restricted net assets. Investment income for the permanently restricted net assets is classified as either temporarily restricted or unrestricted based on the

intent of the donor. At June 30, 2012, there were no permanently or temporarily restricted net assets.

14. Income Taxes

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

15. Performance Indicator

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

16. Long-lived Assets

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

17. Use of Estimates

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

18. Events Occurring After Reporting Date

The medical center has evaluated events and transactions that occurred between June 30, 2012, and September 17, 2012, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

C. Third-party Reimbursement Programs

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

prior years and subsequent tentative or final settlements. The adjustments resulting from tentative or final settlements to estimated reimbursement amounts resulted in an increase to revenue of approximately \$146,000 for the year ended June 30, 2012.

1. Medicare

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

2. Medicaid

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

3. TennCare

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

4. **Commercial Payors**

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

5. **Credit Concentration**

The medical center grants credit to patients and generally does not require collateral or other security in extending credit; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies. At June 30, 2012, the medical center had receivables from the federal government (Medicare) of approximately \$4.2 million and from Medicaid/TennCare of approximately \$1.2 million.

6. **Meaningful Use Payments from Medicare and Medicaid**

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

The medical center met the meaningful use criteria during 2012. As a result, the medical center recognized income of approximately \$400,000 and \$1,540,000 from Medicaid and Medicare, respectively, in 2012. The medical center received \$400,000 from Medicaid during 2012 and has a receivable of approximately \$1,540,000 from Medicare related to the meaningful use incentive as of June 30, 2012. The Medicare funds were received during July 2012. The income is

reported as other revenue on the accompanying Statement of Revenues, Expenses, and Changes in Net Assets.

D. Inventories

A summary of inventories as of June 30, 2012, was as follows:

Medical stores	\$ 126,611
Dietary	28,289
Departmental	<u>1,956,594</u>
 Total	 <u><u>\$ 2,111,494</u></u>

E. Property and Equipment

The major classifications and changes in property and equipment as of and for the year ended June 30, 2012, are as follows:

	Balance 7-1-11	Additions/ Transfers	Placed in Service/ Retirements	Balance 6-30-12
Land	\$ 655,041	\$ 237,209	\$ 0	\$ 892,250
Land Improvements	1,232,786	11,410	0	1,244,196
Building and Improvements	48,025,884	8,003,848	(3,948)	56,025,784
Machinery and Equipment	30,126,822	3,125,538	(478,133)	32,774,227
 Total	 <u>\$ 80,040,533</u>	 <u>\$ 11,378,005</u>	 <u>\$ (482,081)</u>	 <u>\$ 90,936,457</u>
Less Allowance for Depreciation and Amortization:				
Land Improvements	\$ (1,117,428)	\$ (24,399)	\$ 0	\$ (1,141,827)
Building and Improvements	(22,088,453)	(1,662,918)	0	(23,751,371)
Machinery and Equipment	(22,268,514)	(3,237,857)	249,894	(25,256,477)
Total	<u>\$ (45,474,395)</u>	<u>\$ (4,925,174)</u>	<u>\$ 249,894</u>	<u>\$ (50,149,675)</u>
 Subtotal	 <u>\$ 34,566,138</u>	 <u>\$ 6,452,831</u>	 <u>\$ (232,187)</u>	 <u>\$ 40,786,782</u>
Construction in Progress	7,586,794	2,259,576	(8,137,420)	1,708,950
 Total Capital Assets, Net	 <u><u>\$ 42,152,932</u></u>	 <u><u>\$ 8,712,407</u></u>	 <u><u>\$ (8,369,607)</u></u>	 <u><u>\$ 42,495,732</u></u>

The medical center is in the process of constructing various expansions and additions to the existing facilities. As of June 30, 2012, the total cost of these projects is expected to be approximately \$5,550,000. Approximately \$220,000 of interest costs were capitalized during the year ended June 30, 2012.

F. Other Intangible Assets

Other intangible assets include non-compete agreements with seven-year lives. The non-compete agreements have a balance of \$480,838, which is net of accumulated amortization of \$36,988 as of June 30, 2012. Amortization expense totaled \$36,988 in 2012. Future amortization expense of the net carrying amount of the non-compete agreements is \$73,975 per year.

G. Long-term Debt

A schedule of changes in the medical center's long-term debt as of and for the year ended June 30, 2012, is as follows:

	Balance 7-1-11	Additions	Reductions	Balance 6-30-12	Amounts Due Within One Year
Public Building Authority of the County of Montgomery, Tennessee - Series 1997	\$ 428,000	\$ 0	\$ (428,000)	\$ 0	\$ 0
Public Building Authority of the County of Montgomery, Tennessee - Series 2002	12,959,000	0	(548,000)	12,411,000	575,000
General Obligation Hospital Revenue and Tax Capital Outlay Note - Series 2011	5,932,278	0	(417,988)	5,514,290	431,281
Public Building Authority of the City of Clarksville, TN - Series 2012	0	7,000,000	0	7,000,000	398,000
Other Debt	31,250	103,804	(61,525)	73,529	51,900
Total	\$ 19,350,528	\$ 7,103,804	\$ (1,455,513)	\$ 24,998,819	\$ 1,456,181

During September 1997, the medical center entered into a loan agreement with the Public Building Authority of the County of Montgomery, Tennessee, whereby, the authority loaned the medical center \$4,500,000 for the construction, acquisition, and enlargement of its buildings, structures, and

facilities. The remaining balance was paid during the fiscal year ending June 30, 2012.

During June 2002, the medical center entered into an additional loan agreement with the Public Building Authority of the County of Montgomery, Tennessee, whereby, the authority agreed to loan the medical center up to \$16,500,000 for the construction, acquisition, and enlargement of its buildings and facilities. As of June 30, 2012, the medical center had outstanding borrowings of \$12,411,000 under this agreement. The loan agreement bears interest at an adjustable rate (.49 percent as of June 30, 2012) and is due in annual installments varying between \$575,000 and \$1,139,000 through May 25, 2027. The adjustable interest rate is adjusted daily as determined by the remarketing agent.

During April 2011, the medical center entered into a General Obligation Hospital Revenue and Tax Capital Outlay Note totaling \$6,000,000 secured by the general obligation of Henry County for the construction and enlargement of its buildings, structures, and facilities. As of June 30, 2012, the medical center had outstanding borrowings of \$5,514,290 under this obligation. The note bears interest at a fixed rate of 3.27 percent per annum, and is due in monthly installments of \$50,431 through April 1, 2023.

During January 2012, the medical center entered into a loan agreement with the Public Building Authority of the City of Clarksville, Tennessee, whereby the authority agreed to loan the medical center up to \$7,000,000 to provide funding to finance certain public works projects, including the acquisition of the Kentucky Lake Surgery Center, LLC. As of June 30, 2012, the medical center had outstanding borrowings of \$7,000,000 under this obligation. The note bears interest at an adjustable rate (.82% as of June 30, 2012), and is due in annual installments varying between \$398,000 and \$543,000 through June 1, 2027. The adjustable interest rate is adjusted weekly as determined by the remarketing agent.

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

A summary of future maturities and interest of long-term debt, as of June 30, 2012, is as follows:

Year	Principal	Estimated Interest	Total Payments
2013	\$ 1,456,181	\$ 288,000	\$ 1,744,181
2014	1,458,000	268,000	1,726,000
2015	1,512,000	246,000	1,758,000
2016	1,569,000	225,000	1,794,000
2017	1,627,000	202,000	1,829,000
2018-2022	9,101,000	640,000	9,741,000
2023-2027	8,275,638	128,000	8,403,638
Total	\$ 24,998,819	\$ 1,997,000	\$ 26,995,819

H. Employee Benefit Plans

Pension Plan Description

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

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

I. Deferred Compensation Plans

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

During 2010, the medical center implemented a physician call pay plan whereas the medical center would make contributions to the plan on behalf of the physicians. Effective July 1, 2011, the deferred element of the physician on-call plan was terminated and participants are paid quarterly. The deferred compensation was paid to the respective physicians during 2012. The medical center still holds the assets, which are invested in mutual funds and totaled approximately \$470,000 at June 30, 2012. These assets are included in other assets in the accompanying Statement of Net Assets.

J. Commitments and Contingencies

1. Lease Commitments

The medical center leases various equipment under operating lease agreements. Rent expense was \$1,438,452 in 2012.

A summary of future minimum payments under these equipment leases as of June 30, 2012, is as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 865,000
2014	777,000
2015	556,000
2016	297,000
2017	283,000
2018 and later years	<u>1,303,000</u>
Total	<u>\$ 4,081,000</u>

2. Insurance

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

adequate to cover any potential losses on asserted claims. Management is unaware of any incidents that would ultimately result in a loss in excess of the medical center's insurance coverages.

The medical center is self-insured for a portion of employee medical and other healthcare benefits and workers' compensation claims. The risk of loss retained by the medical center is limited to \$130,000 and \$350,000 per occurrence for employee health and workers' compensation, respectively. The medical center has purchased excess insurance to provide coverage for claims in excess of the self-insured retention. Contributions by the medical center for employee health are based on actuarial estimates, while contributions for workers' compensation are based on actual claims experience. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include a provision for estimated claims incurred but not reported. Reserves included within accrued expenses related to employee medical and other healthcare benefits totaled \$950,000 in 2012. Reserves included within accrued expenses related to workers' compensation claims totaled \$384,867 in 2012.

3. Healthcare Industry

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

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

in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations.

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

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

4. Healthcare Reform

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

K. Functional Expenses

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

Healthcare services	\$ 46,623,429
General and administrative	<u>24,809,444</u>
Total	<u><u>\$ 71,432,873</u></u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 5,224,029	\$ 0	\$ 0	\$ 5,224,029	\$ 5,155,797	\$ 5,155,797	\$ 68,232
Licenses and Permits	136,033	0	0	136,033	137,000	137,000	(967)
Fines, Forfeitures, and Penalties	194,499	0	0	194,499	265,500	265,500	(71,001)
Charges for Current Services	148,247	0	0	148,247	172,425	172,425	(24,178)
Other Local Revenues	612,307	0	0	612,307	509,110	680,819	(68,512)
Fees Received from County Officials	1,485,413	0	0	1,485,413	1,480,000	1,490,000	(4,587)
State of Tennessee	3,915,143	0	0	3,915,143	3,944,957	4,041,360	(126,217)
Federal Government	498,859	0	0	498,859	214,764	740,672	(241,813)
Other Governments and Citizens Groups	374,202	0	0	374,202	105,500	221,496	152,706
Total Revenues	\$ 12,588,732	\$ 0	\$ 0	\$ 12,588,732	\$ 11,985,053	\$ 12,905,069	\$ (316,337)
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 37,358	\$ 0	\$ 0	\$ 37,358	\$ 38,450	\$ 38,450	\$ 1,092
Board of Equalization	400	0	0	400	1,000	1,000	600
Other Boards and Committees	4,375	0	0	4,375	5,000	5,000	625
County Mayor/Executive	197,517	0	0	197,517	200,218	200,218	2,701
County Attorney	19,765	0	0	19,765	19,765	19,765	0
Election Commission	162,694	0	4,920	167,614	148,791	178,574	10,960
Register of Deeds	166,810	0	0	166,810	170,593	170,635	3,825
Building	75,913	0	0	75,913	78,278	78,278	2,365
County Buildings	134,048	0	0	134,048	146,000	146,000	11,952
Other General Administration	136,800	0	2,563	139,363	146,426	146,426	7,063
Preservation of Records	9,214	0	0	9,214	10,500	10,500	1,286

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original		
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Finance</u>							
Accounting and Budgeting	\$ 88,667	\$ (100)	\$ 360	\$ 88,927	\$ 90,778	\$ 90,778	\$ 1,851
Property Assessor's Office	204,849	0	0	204,849	207,283	209,583	4,734
Reappraisal Program	84,150	0	0	84,150	87,494	87,494	3,344
County Trustee's Office	186,722	0	0	186,722	190,154	190,154	3,432
County Clerk's Office	213,584	0	0	213,584	217,274	219,974	6,390
<u>Administration of Justice</u>							
Circuit Court	202,820	0	0	202,820	213,417	216,114	13,294
General Sessions Court	96,923	0	0	96,923	106,359	106,359	9,436
General Sessions Judge	154,537	0	0	154,537	181,932	181,932	27,395
Chancery Court	158,125	(498)	934	158,561	168,847	168,889	10,328
Juvenile Court	177,743	0	0	177,743	207,558	207,558	29,815
Probate Court	33,893	0	0	33,893	40,352	40,352	6,459
Other Administration of Justice	10,701	0	0	10,701	10,000	19,000	8,299
<u>Public Safety</u>							
Sheriff's Department	1,880,263	(350)	0	1,879,913	1,890,561	1,918,272	38,359
Special Patrols	78,346	0	0	78,346	90,700	90,700	12,354
Jail	1,209,489	(4,205)	946	1,206,230	1,266,768	1,251,644	45,414
Fire Prevention and Control	33,200	0	0	33,200	33,200	33,200	0
Rescue Squad	4,800	0	0	4,800	4,800	4,800	0
Other Emergency Management	67,841	(8,160)	22,206	81,887	150,188	151,923	70,036
County Coroner/Medical Examiner	39,591	(3,300)	4,998	41,289	45,200	51,200	9,911
<u>Public Health and Welfare</u>							
Local Health Center	105,177	0	0	105,177	129,927	131,427	26,250
Rabies and Animal Control	3,947	0	633	4,580	8,600	8,600	4,020

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Public Health and Welfare (Cont.)</u>							
Maternal and Child Health Services	\$ 1,350	\$ 0	\$ 0	\$ 1,350	\$ 1,350	\$ 0	\$ 0
Alcohol and Drug Programs	9,228	0	0	9,228	15,540	6,312	6,312
Crippled Children Services	2,660	0	0	2,660	2,660	0	0
Other Local Health Services	20,700	0	0	20,700	20,700	0	0
<u>Social, Cultural, and Recreational Services</u>							
Adult Activities	97,400	0	0	97,400	117,266	19,866	19,866
Libraries	123,745	0	0	123,745	123,745	0	0
Parks and Fair Boards	6,000	0	0	6,000	6,000	0	0
Other Social, Cultural, and Recreational	33,000	0	0	33,000	33,500	500	500
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	103,240	0	0	103,240	113,703	10,463	10,463
Soil Conservation	31,183	0	0	31,183	31,394	211	211
Flood Control	21,808	0	0	21,808	21,808	0	0
<u>Other Operations</u>							
Tourism	26,550	0	0	26,550	26,550	0	0
Tourism-Resort District	403,105	0	23,938	427,043	507,268	80,225	80,225
Industrial Development	55,000	0	0	55,000	55,000	0	0
Other Economic and Community Development	0	0	187,375	187,375	0	12,625	12,625
Airport	2,141,527	(18,802)	0	2,122,725	2,252,784	330,467	330,467
Veterans' Services	34,391	0	0	34,391	39,545	5,154	5,154
Other Charges	129,312	0	1,056	130,368	121,390	4,386	4,386
Contributions to Other Agencies	359,935	(14,920)	70,636	415,651	314,388	239,845	239,845
Employee Benefits	1,531,606	0	0	1,531,606	1,606,242	74,636	74,636
Miscellaneous	51,079	0	0	51,079	507,500	1,700	1,700
Total Expenditures	\$ 11,163,081	\$ (50,335)	\$ 320,565	\$ 11,433,311	\$ 12,224,746	\$ 1,159,980	\$ 1,159,980

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,425,651	\$ 50,335	\$ (320,565)	\$ 1,155,421	\$ (239,693)	\$ 311,778	\$ 843,643
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 49,079	\$ 0	\$ 0	\$ 49,079	\$ 100	\$ 50,379	\$ (1,300)
Transfers In	0	0	0	0	104,740	0	0
City General Fund Transfer	0	0	0	0	6,400	0	0
Transfers Out	(459,405)	0	0	(459,405)	0	(505,000)	45,595
Total Other Financing Sources (Uses)	\$ (410,326)	\$ 0	\$ 0	\$ (410,326)	\$ 111,240	\$ (454,621)	\$ 44,295
Net Change in Fund Balance	\$ 1,015,325	\$ 50,335	\$ (320,565)	\$ 745,095	\$ (128,453)	\$ (142,843)	\$ 887,938
Fund Balance, July 1, 2011	2,513,409	(50,335)	0	2,463,074	2,543,640	2,543,640	(80,566)
Fund Balance, June 30, 2012	\$ 3,528,734	\$ 0	\$ (320,565)	\$ 3,208,169	\$ 2,415,187	\$ 2,400,797	\$ 807,372

Exhibit E-2

Henry County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2012

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original		
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 1,537,759	\$ 0	\$ 0	\$ 1,537,759	\$ 1,920,561	\$ 1,485,561	\$ 52,198
Other Local Revenues	55,444	0	0	55,444	21,200	21,200	34,244
State of Tennessee	2,115,873	0	0	2,115,873	2,669,108	2,686,656	(570,783)
Federal Government	176,881	0	0	176,881	100,000	100,000	76,881
Total Revenues	\$ 3,885,957	\$ 0	\$ 0	\$ 3,885,957	\$ 4,710,869	\$ 4,293,417	\$ (407,460)
<u>Expenditures</u>							
<u>Highways</u>							
Administration	\$ 269,118	\$ 0	\$ 0	\$ 269,118	\$ 275,415	\$ 275,415	\$ 6,297
Highway and Bridge Maintenance	1,546,837	0	0	1,546,837	1,693,600	1,725,104	178,267
Operation and Maintenance of Equipment	687,481	0	0	687,481	827,450	768,600	81,119
Quarry Operations	0	0	0	0	1,000	1,000	1,000
Litter and Trash Collection	52,228	0	0	52,228	34,680	52,228	0
Other Charges	235,032	0	0	235,032	246,230	247,642	12,610
Employee Benefits	543,392	0	0	543,392	585,575	569,899	26,507
Capital Outlay	1,434,445	(448)	10,950	1,444,947	2,479,255	2,074,266	629,319
Principal on Debt							
Highways and Streets	450,000	0	0	450,000	0	450,000	0
Interest on Debt							
Highways and Streets	6,467	0	0	6,467	15,000	6,467	0
Other Debt Service							
Highways and Streets	5,132	0	0	5,132	0	5,132	0
Total Expenditures	\$ 5,230,132	\$ (448)	\$ 10,950	\$ 5,240,634	\$ 6,158,205	\$ 6,175,753	\$ 935,119
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,344,175)	\$ 448	\$ (10,950)	\$ (1,354,677)	\$ (1,447,336)	\$ (1,882,336)	\$ 527,659

(Continued)

Exhibit E-2

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses)</u>							
Other Loans Issued	\$ 942,336	\$ 0	\$ 0	\$ 942,336	\$ 942,336	\$ 942,336	\$ 0
Insurance Recovery	54,578	0	0	54,578	0	0	54,578
Transfers In	434,405	0	0	434,405	5,000	440,000	(5,595)
Total Other Financing Sources (Uses)	\$ 1,431,319	\$ 0	\$ 0	\$ 1,431,319	\$ 947,336	\$ 1,382,336	\$ 48,983
Net Change in Fund Balance	\$ 87,144	\$ 448	\$ (10,950)	\$ 76,642	\$ (500,000)	\$ (500,000)	\$ 576,642
Fund Balance, July 1, 2011	870,304	(448)	0	869,856	500,000	500,000	369,856
Fund Balance, June 30, 2012	\$ 957,448	\$ 0	\$ (10,950)	\$ 946,498	\$ 0	\$ 0	\$ 946,498

Exhibit E-3

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

(Dollar amounts in thousands)

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

Exhibit E-4

Henry County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Primary Government and Discretely Presented Henry County School Department
June 30, 2012

(Dollar amounts in thousands)

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

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

A. BUDGETARY INFORMATION

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

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

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

At June 30, 2012, Henry County reported significant encumbrances of \$187,375 in the General Fund for construction of a water supply main.

B. CASH SHORTAGE – PRIOR YEAR

The audit of Henry County for the 2005-06 year reported a cash shortage of \$162,658 existed in the General (\$118,878), Drug Control (\$23,502), and General Capital Projects (\$20,278) funds as a result of irregularities in the Office of Sheriff. Former Sheriff David Bumpus, former business manager Faye Scott, and former owner of Elite Firearms, Jason Ferren, all pled guilty to various charges and received various sentences and fines. These three defendants have been ordered to pay restitution totaling \$71,512. This amount is net of estimated auction proceeds of items recovered from David Bumpus. The actual auction proceeds received during the 2008-09 year totaled \$12,205. During the 2011-12 fiscal year, restitution was received from David Bumpus totaling \$19,841. As of June 30, 2012, the cash shortage totaled \$73,852, which included the General (\$30,072), Drug Control (\$23,502), and General Capital Projects (\$20,278) funds.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

Capital Projects Fund

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

General Capital Projects Fund – The General Capital Projects Fund is used to account for general capital expenditures of the county.

Exhibit F-1

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

	Special Revenue Funds				Total	Capital Projects Fund		Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	General Capital Projects		General Capital Projects		
Cash	\$ 0	\$ 0	\$ 13,226	\$ 0	\$ 13,226	\$ 0	\$ 0	\$ 13,226
Equity in Pooled Cash and Investments	346,948	171,903	0	451,584	518,851	0	0	970,435
Accounts Receivable	30,916	0	0	0	30,916	0	0	30,916
Due from Other Governments	3,295	0	0	0	3,295	0	0	3,295
Property Taxes Receivable	292,056	0	0	0	292,056	0	0	292,056
Allowance for Uncollectible Property Taxes	(7,064)	0	0	0	(7,064)	0	0	(7,064)
Cash Shortage	0	23,502	0	20,278	23,502	0	0	43,780
Total Assets	\$ 666,151	\$ 195,405	\$ 13,226	\$ 471,862	\$ 874,782	\$ 471,862	\$ 1,346,644	

ASSETS

LIABILITIES AND FUND BALANCES

Accounts Payable	\$ 1,826	\$ 0	\$ 0	\$ 2,416	\$ 1,826	\$ 2,416	\$ 4,242
Due to Other Funds	0	0	13,226	0	13,226	0	13,226
Deferred Revenue - Current Property Taxes	275,014	0	0	0	275,014	0	275,014
Deferred Revenue - Delinquent Property Taxes	9,183	0	0	0	9,183	0	9,183
Total Liabilities	\$ 286,023	\$ 0	\$ 13,226	\$ 2,416	\$ 299,249	\$ 2,416	\$ 301,665
Fund Balances							
Restricted:							
Restricted for Public Safety	\$ 0	\$ 195,405	\$ 0	\$ 0	\$ 195,405	\$ 0	\$ 195,405
Restricted for Capital Outlay	0	0	0	0	0	469,446	469,446
Committed:							
Committed for Public Health and Welfare	380,128	0	0	0	380,128	0	380,128
Total Fund Balances	\$ 380,128	\$ 195,405	\$ 0	\$ 469,446	\$ 575,533	\$ 469,446	\$ 1,044,979
Total Liabilities and Fund Balances	\$ 666,151	\$ 195,405	\$ 13,226	\$ 471,862	\$ 874,782	\$ 471,862	\$ 1,346,644

Exhibit F-2

Henry County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	<u>Special Revenue Funds</u>			<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
	<u>Solid</u> <u>Waste /</u> <u>Sanitation</u>	<u>Drug</u> <u>Control</u>	<u>Total</u>	<u>General</u> <u>Capital</u> <u>Projects</u>	
<u>Revenues</u>					
Local Taxes	\$ 296,647	\$ 25	\$ 296,672	\$ 0	\$ 296,672
Fines, Forfeitures, and Penalties	0	42,128	42,128	0	42,128
Other Local Revenues	263,569	33,236	296,805	0	296,805
State of Tennessee	20,434	0	20,434	0	20,434
Federal Government	0	1,497	1,497	0	1,497
Other Governments and Citizens Groups	0	25,000	25,000	0	25,000
Total Revenues	<u>\$ 580,650</u>	<u>\$ 101,886</u>	<u>\$ 682,536</u>	<u>\$ 0</u>	<u>\$ 682,536</u>
<u>Expenditures</u>					
Current:					
Public Safety	\$ 0	\$ 150,030	\$ 150,030	\$ 0	\$ 150,030
Public Health and Welfare	566,474	0	566,474	0	566,474
Other Operations	5,764	0	5,764	0	5,764
Capital Projects	0	0	0	340,507	340,507
Total Expenditures	<u>\$ 572,238</u>	<u>\$ 150,030</u>	<u>\$ 722,268</u>	<u>\$ 340,507</u>	<u>\$ 1,062,775</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 8,412</u>	<u>\$ (48,144)</u>	<u>\$ (39,732)</u>	<u>\$ (340,507)</u>	<u>\$ (380,239)</u>
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 253,716	\$ 253,716
Transfers Out	(17,848)	0	(17,848)	0	(17,848)
Total Other Financing Sources (Uses)	<u>\$ (17,848)</u>	<u>\$ 0</u>	<u>\$ (17,848)</u>	<u>\$ 253,716</u>	<u>\$ 235,868</u>
Net Change in Fund Balances	\$ (9,436)	\$ (48,144)	\$ (57,580)	\$ (86,791)	\$ (144,371)
Fund Balance, July 1, 2011	<u>389,564</u>	<u>243,549</u>	<u>633,113</u>	<u>556,237</u>	<u>1,189,350</u>
Fund Balance, June 30, 2012	<u>\$ 380,128</u>	<u>\$ 195,405</u>	<u>\$ 575,533</u>	<u>\$ 469,446</u>	<u>\$ 1,044,979</u>

Exhibit F-3

Henry County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2012

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 296,647	\$ 0	\$ 296,647	\$ 301,317	\$ 301,317	\$ (4,670)
Other Local Revenues	263,569	0	263,569	214,600	214,600	48,969
State of Tennessee	20,434	0	20,434	0	33,600	(13,166)
<u>Total Revenues</u>	<u>\$ 580,650</u>	<u>\$ 0</u>	<u>\$ 580,650</u>	<u>\$ 515,917</u>	<u>\$ 549,517</u>	<u>\$ 31,133</u>
<u>Expenditures</u>						
Public Health and Welfare						
Sanitation Management	\$ 44,922	\$ 0	\$ 44,922	\$ 46,453	\$ 46,453	\$ 1,531
Recycling Center	427,468	1,413	428,881	455,456	487,694	58,813
Landfill Operation and Maintenance	73,058	0	73,058	60,000	105,171	32,113
Other Waste Disposal	21,026	0	21,026	0	33,600	12,574
Other Operations						
Other Charges	5,764	0	5,764	7,000	7,000	1,236
Miscellaneous	0	0	0	17,848	0	0
<u>Total Expenditures</u>	<u>\$ 572,238</u>	<u>\$ 1,413</u>	<u>\$ 573,651</u>	<u>\$ 586,757</u>	<u>\$ 679,918</u>	<u>\$ 106,267</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 8,412	(1,413)	6,999	(70,840)	(130,401)	137,400
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ (17,848)	\$ 0	(17,848)	\$ 0	(17,848)	\$ 0
<u>Total Other Financing Sources (Uses)</u>	<u>\$ (17,848)</u>	<u>\$ 0</u>	<u>(17,848)</u>	<u>\$ 0</u>	<u>(17,848)</u>	<u>\$ 0</u>
Net Change in Fund Balance Fund Balance, July 1, 2011	\$ (9,436)	(1,413)	(10,849)	(70,840)	(148,249)	137,400
	389,564	0	389,564	70,840	389,564	0
<u>Fund Balance, June 30, 2012</u>	<u>\$ 380,128</u>	<u>(1,413)</u>	<u>\$ 378,715</u>	<u>\$ 0</u>	<u>\$ 241,315</u>	<u>\$ 137,400</u>

Exhibit F-4

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 25	\$ 0	\$ 25	\$ 0	\$ 0	25
Fines, Forfeitures, and Penalties	42,128	0	42,128	54,500	54,500	(12,372)
Other Local Revenues	33,236	0	33,236	20,000	20,000	13,236
Federal Government	1,497	0	1,497	0	1,497	0
Other Governments and Citizens Groups	25,000	0	25,000	0	25,000	0
Total Revenues	\$ 101,886	\$ 0	\$ 101,886	\$ 74,500	\$ 100,997	\$ 889
<u>Expenditures</u>						
<u>Public Safety</u>						
Drug Enforcement	\$ 150,030	\$ 1,415	\$ 151,445	\$ 198,457	\$ 199,954	\$ 48,509
Total Expenditures	\$ 150,030	\$ 1,415	\$ 151,445	\$ 198,457	\$ 199,954	\$ 48,509
Excess (Deficiency) of Revenues Over Expenditures	\$ (48,144)	\$ (1,415)	\$ (49,559)	\$ (123,957)	\$ (98,957)	\$ 49,398
<u>Other Financing Sources (Uses)</u>						
City General Fund Transfer	\$ 0	\$ 0	\$ 0	\$ 27,150	\$ 2,150	\$ (2,150)
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 27,150	\$ 2,150	\$ (2,150)
Net Change in Fund Balance Fund Balance, July 1, 2011	\$ (48,144)	\$ (1,415)	\$ (49,559)	\$ (96,807)	\$ (96,807)	\$ 47,248
Fund Balance, July 1, 2011	243,549	0	243,549	96,807	96,807	146,742
Fund Balance, June 30, 2012	\$ 195,405	\$ (1,415)	\$ 193,990	\$ 0	\$ 0	\$ 193,990

Major Governmental Fund

General Debt Service Fund

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

Exhibit G

Henry County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 830,153	\$ 828,365	\$ 828,365	\$ 1,788
Other Local Revenues	125,111	206,429	206,429	(81,318)
Other Governments and Citizens Groups	1,688,630	0	1,688,630	0
Total Revenues	\$ 2,643,894	\$ 1,034,794	\$ 2,723,424	\$ (79,530)
<u>Expenditures</u>				
<u>Other Operations</u>				
Other Charges	\$ 12,120	\$ 10,000	\$ 12,500	\$ 380
<u>Principal on Debt</u>				
General Government	872,864	872,865	872,865	1
Education	1,152,448	1,152,449	1,152,449	1
<u>Interest on Debt</u>				
General Government	55,235	57,814	56,514	1,279
Education	749,669	753,782	753,782	4,113
<u>Other Debt Service</u>				
General Government	2,842	5,000	3,800	958
Education	6,612	7,000	7,000	388
Total Expenditures	\$ 2,851,790	\$ 2,858,910	\$ 2,858,910	\$ 7,120
Excess (Deficiency) of Revenues Over Expenditures	\$ (207,896)	\$ (1,824,116)	\$ (135,486)	\$ (72,410)
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 42,848	\$ 1,731,479	\$ 42,849	\$ (1)
Total Other Financing Sources (Uses)	\$ 42,848	\$ 1,731,479	\$ 42,849	\$ (1)
Net Change in Fund Balance	\$ (165,048)	\$ (92,637)	\$ (92,637)	\$ (72,411)
Fund Balance, July 1, 2011	2,801,825	92,637	92,637	2,709,188
Fund Balance, June 30, 2012	\$ 2,636,777	\$ 0	\$ 0	\$ 2,636,777

Fiduciary Funds

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

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

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

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

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

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

Exhibit H-1

Henry County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
For the Year Ended June 30, 2012

	Agency Funds						Total
	Cities - Sales Tax	Watershed District	Special School District	Constitu- tional Officers - Agency	Judicial District Drug		
Cash	\$ 0	\$ 0	\$ 0	\$ 1,148,966	\$ 1,392	\$ 1,150,358	
Equity in Pooled Cash and Investments	0	1,606	194,790	0	286,445	482,841	
Accounts Receivable	0	0	0	4,649	0	4,649	
Due from Other Governments	602,572	0	300,078	0	0	902,650	
Property Taxes Receivable	0	0	3,619,985	0	0	3,619,985	
Allowance for Uncollectible Property Taxes	0	0	(86,820)	0	0	(86,820)	
Cash Shortage	0	0	0	29,291	0	29,291	
Total Assets	\$ 602,572	\$ 1,606	\$ 4,028,033	\$ 1,182,906	\$ 287,837	\$ 6,102,954	
Due to Other Taxing Units	\$ 602,572	\$ 1,606	\$ 4,028,033	\$ 0	\$ 0	\$ 4,632,211	
Due to Litigants, Heirs, and Others	0	0	0	1,182,906	0	1,182,906	
Due to Joint Ventures	0	0	0	0	287,837	287,837	
Total Liabilities	\$ 602,572	\$ 1,606	\$ 4,028,033	\$ 1,182,906	\$ 287,837	\$ 6,102,954	

ASSETS

LIABILITIES

Exhibit H-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 2,890,751	\$ 2,890,751	\$ 0
Due from Other Governments	592,572	602,572	592,572	602,572
Total Assets	\$ 592,572	\$ 3,493,323	\$ 3,483,323	\$ 602,572
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 592,572	\$ 3,493,323	\$ 3,483,323	\$ 602,572
Total Liabilities	\$ 592,572	\$ 3,493,323	\$ 3,483,323	\$ 602,572
<u>Watershed District Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 1,606	\$ 0	\$ 0	\$ 1,606
Total Assets	\$ 1,606	\$ 0	\$ 0	\$ 1,606
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,606	\$ 0	\$ 0	\$ 1,606
Total Liabilities	\$ 1,606	\$ 0	\$ 0	\$ 1,606
<u>Special School District Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 193,155	\$ 1,183,804	\$ 1,182,169	\$ 194,790
Due from Other Governments	270,317	300,078	270,317	300,078
Property Taxes Receivable	3,424,423	3,619,985	3,424,423	3,619,985
Allowance for Uncollectible Property Taxes	(89,572)	(86,820)	(89,572)	(86,820)
Total Assets	\$ 3,798,323	\$ 5,017,047	\$ 4,787,337	\$ 4,028,033
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 3,798,323	\$ 5,017,047	\$ 4,787,337	\$ 4,028,033
Total Liabilities	\$ 3,798,323	\$ 5,017,047	\$ 4,787,337	\$ 4,028,033

(Continued)

Exhibit H-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,100,913	\$ 9,145,046	\$ 9,096,993	\$ 1,148,966
Accounts Receivable	0	4,649	0	4,649
Cash Shortage	0	29,291	0	29,291
Total Assets	\$ 1,100,913	\$ 9,178,986	\$ 9,096,993	\$ 1,182,906
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,100,913	\$ 9,178,986	\$ 9,096,993	\$ 1,182,906
Total Liabilities	\$ 1,100,913	\$ 9,178,986	\$ 9,096,993	\$ 1,182,906
<u>Judicial District Drug Fund</u>				
<u>Assets</u>				
Cash	\$ 1,253	\$ 1,392	\$ 1,253	\$ 1,392
Equity in Pooled Cash and Investments	205,964	405,185	324,704	286,445
Accounts Receivable	29,076	0	29,076	0
Due From Other Governments	9,177	0	9,177	0
Total Assets	\$ 245,470	\$ 406,577	\$ 364,210	\$ 287,837
<u>Liabilities</u>				
Due to Joint Ventures	\$ 245,470	\$ 406,577	\$ 364,210	\$ 287,837
Total Liabilities	\$ 245,470	\$ 406,577	\$ 364,210	\$ 287,837
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,102,166	\$ 9,146,438	\$ 9,098,246	\$ 1,150,358
Equity in Pooled Cash and Investments	400,725	4,479,740	4,397,624	482,841
Accounts Receivable	29,076	4,649	29,076	4,649
Due from Other Governments	872,066	902,650	872,066	902,650
Property Taxes Receivable	3,424,423	3,619,985	3,424,423	3,619,985
Allowance for Uncollectible Property Taxes	(89,572)	(86,820)	(89,572)	(86,820)
Cash Shortage	0	29,291	0	29,291
Total Assets	\$ 5,738,884	\$ 18,095,933	\$ 17,731,863	\$ 6,102,954
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 4,392,501	\$ 8,510,370	\$ 8,270,660	\$ 4,632,211
Due to Litigants, Heirs, and Others	1,100,913	9,178,986	9,096,993	1,182,906
Due to Joint Ventures	245,470	406,577	364,210	287,837
Total Liabilities	\$ 5,738,884	\$ 18,095,933	\$ 17,731,863	\$ 6,102,954

Henry County School Department

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

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

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

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

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

Exhibit I-1

Henry County, Tennessee
Statement of Activities
Discretely Presented Henry County School Department
For the Year Ended June 30, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 17,256,311	\$ 0	1,817,874	\$ (15,438,437)
Support Services	8,718,307	74,946	1,354,341	(7,289,020)
Operation of Non-Instructional Services	2,675,498	670,311	1,641,905	(363,282)
Interest on Long-term Debt	1,688,630	0	0	(1,688,630)
Total Governmental Activities	\$ 30,338,746	\$ 745,257	\$ 4,814,120	\$ (24,779,369)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 4,760,748
Local Option Sales Taxes				2,732,384
Business Tax				127,109
Other Local Taxes				1,229
Grants and Contributions Not Restricted to Specific Programs				16,671,827
Miscellaneous				170,462
Total General Revenues				\$ 24,463,759
Change in Net Assets				\$ (315,610)
Net Assets, July 1, 2011				29,690,048
Net Assets, June 30, 2012				\$ 29,374,438

Exhibit I-2

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

	Major Funds		Nonmajor	Total
	General Purpose School	School Federal Projects	Fund Central Cafeteria	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 4,190,998	\$ 150,652	\$ 475,021	\$ 4,816,671
Due from Other Governments	865,410	32,569	140,723	1,038,702
Due from Other Funds	13,221	0	0	13,221
Property Taxes Receivable	4,897,334	0	0	4,897,334
Allowance for Uncollectible Property Taxes	(118,462)	0	0	(118,462)
Total Assets	\$ 9,848,501	\$ 183,221	\$ 615,744	\$ 10,647,466
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 29,938	\$ 17,882	\$ 0	\$ 47,820
Payroll Deductions Payable	0	0	364	364
Due to Other Funds	0	13,221	0	13,221
Deferred Revenue - Current Property Taxes	4,611,554	0	0	4,611,554
Deferred Revenue - Delinquent Property Taxes	154,040	0	0	154,040
Other Deferred Revenues	246,645	0	0	246,645
Total Liabilities	\$ 5,042,177	\$ 31,103	\$ 364	\$ 5,073,644
<u>Fund Balances</u>				
Restricted:				
Restricted for Education	\$ 369,561	\$ 2,118	\$ 0	\$ 371,679
Restricted for Operation of Non-Instructional Services	0	0	615,380	615,380
Assigned:				
Assigned for Education	330,071	150,000	0	480,071
Assigned for Capital Projects	483,542	0	0	483,542
Unassigned	3,623,150	0	0	3,623,150
Total Fund Balances	\$ 4,806,324	\$ 152,118	\$ 615,380	\$ 5,573,822
Total Liabilities and Fund Balances	\$ 9,848,501	\$ 183,221	\$ 615,744	\$ 10,647,466

Exhibit I-3

Henry County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
Discretely Presented Henry County School Department
June 30, 2012

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$ 5,573,822
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 610,066	
Add: buildings and improvements net of accumulated depreciation	22,672,060	
Add: other capital assets net of accumulated depreciation	<u>1,720,717</u>	25,002,843
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: compensated absences payable	\$ (72,858)	
Less: other postemployment benefits liability	<u>(1,530,054)</u>	(1,602,912)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>400,685</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 29,374,438</u>

Exhibit I-4

Henry County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Henry County School Department
For the Year Ended June 30, 2012

	Major Funds		Nonmajor	Total
	General	School	Funds	
			Other	
Purpose	Federal	Govern-	Governmental	
School	Projects	mental	Funds	
				Funds
<u>Revenues</u>				
Local Taxes	\$ 7,684,566	\$ 0	\$ 0	\$ 7,684,566
Licenses and Permits	1,795	0	0	1,795
Charges for Current Services	74,537	0	670,036	744,573
Other Local Revenues	139,934	5	85,679	225,618
State of Tennessee	16,845,558	0	16,533	16,862,091
Federal Government	339,147	2,887,052	1,273,683	4,499,882
Total Revenues	\$ 25,085,537	\$ 2,887,057	\$ 2,045,931	\$ 30,018,525
<u>Expenditures</u>				
Current:				
Instruction	\$ 12,930,296	\$ 2,405,812	\$ 0	\$ 15,336,108
Support Services	8,360,114	474,209	10,670	8,844,993
Operation of Non-Instructional Services	738,730	0	1,834,835	2,573,565
Capital Outlay	294,079	0	0	294,079
Debt Service:				
Other Debt Service	1,688,630	0	0	1,688,630
Capital Projects	0	0	12,297	12,297
Total Expenditures	\$ 24,011,849	\$ 2,880,021	\$ 1,857,802	\$ 28,749,672
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 1,073,688	\$ 7,036	\$ 188,129	\$ 1,268,853
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 13,162	\$ 0	\$ 0	\$ 13,162
Transfers In	104,545	0	0	104,545
Transfers Out	0	(13,234)	(91,311)	(104,545)
Total Other Financing Sources (Uses)	\$ 117,707	\$ (13,234)	\$ (91,311)	\$ 13,162
Net Change in Fund Balances				
Fund Balance, July 1, 2011	\$ 1,191,395	\$ (6,198)	\$ 96,818	\$ 1,282,015
	3,614,929	158,316	518,562	4,291,807
Fund Balance, June 30, 2012	\$ 4,806,324	\$ 152,118	\$ 615,380	\$ 5,573,822

Exhibit I-5

Henry County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Henry County School Department
For the Year Ended June 30, 2012

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

Net change in fund balances - total governmental funds (Exhibit I-4)		\$ 1,282,015
(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	\$ 694,744	
Less: current-year depreciation expense	<u>(2,025,469)</u>	(1,330,725)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, donations) is to decrease net assets.		
Less: loss on disposal of capital assets		(854)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2012	\$ 400,685	
Less: deferred delinquent property taxes and other deferred June 30, 2011	<u>(396,074)</u>	4,611
(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 compensated absences payable	\$ (1,040)	
Change in other postemployment benefits liability	<u>(269,617)</u>	<u>(270,657)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (315,610)</u>

Exhibit I-6

Henry County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Henry County School Department
For the Year Ended June 30, 2012

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Central Cafeteria	Education Capital Projects	
<u>Revenues</u>			
Charges for Current Services	\$ 670,036	\$ 0	\$ 670,036
Other Local Revenues	1,401	84,278	85,679
State of Tennessee	16,533	0	16,533
Federal Government	1,273,683	0	1,273,683
Total Revenues	<u>\$ 1,961,653</u>	<u>\$ 84,278</u>	<u>\$ 2,045,931</u>
<u>Expenditures</u>			
Current:			
Support Services	\$ 0	\$ 10,670	\$ 10,670
Operation of Non-Instructional Services	1,834,835	0	1,834,835
Capital Projects	0	12,297	12,297
Total Expenditures	<u>\$ 1,834,835</u>	<u>\$ 22,967</u>	<u>\$ 1,857,802</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 126,818</u>	<u>\$ 61,311</u>	<u>\$ 188,129</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ 0	\$ (91,311)	\$ (91,311)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ (91,311)</u>	<u>\$ (91,311)</u>
Net Change in Fund Balances	\$ 126,818	\$ (30,000)	\$ 96,818
Fund Balance, July 1, 2011	488,562	30,000	518,562
Fund Balance, June 30, 2012	<u>\$ 615,380</u>	<u>\$ 0</u>	<u>\$ 615,380</u>

Exhibit I-7

Henry County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Henry County School Department
General Purpose School Fund
For the Year Ended June 30, 2012

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Local Taxes	\$ 7,684,566	\$ 0	\$ 0	\$ 7,684,566	\$ 7,725,405	\$ 7,825,405	\$ (140,839)
Licenses and Permits	1,795	0	0	1,795	1,500	1,500	295
Charges for Current Services	74,537	0	0	74,537	54,985	59,382	15,155
Other Local Revenues	139,934	0	0	139,934	72,842	90,826	49,108
State of Tennessee	16,845,558	0	0	16,845,558	16,574,601	16,819,316	26,242
Federal Government	339,147	0	0	339,147	322,428	369,089	(29,942)
Total Revenues	\$ 25,085,537	\$ 0	\$ 0	\$ 25,085,537	\$ 24,751,761	\$ 25,165,518	\$ (79,981)
Expenditures							
<u>Instruction</u>							
Regular Instruction Program	\$ 10,136,988	\$ (1,687)	\$ 122,775	\$ 10,258,076	\$ 10,558,640	\$ 10,658,216	\$ 400,140
Alternative Instruction Program	140,879	0	1,617	142,496	163,170	162,622	20,126
Special Education Program	1,597,188	0	0	1,597,188	1,598,344	1,601,377	4,189
Vocational Education Program	826,212	0	2,370	828,582	848,992	847,242	18,660
Adult Education Program	229,029	0	0	229,029	195,397	242,057	13,028
<u>Support Services</u>							
Attendance	168,560	0	0	168,560	215,774	174,549	5,989
Health Services	321,152	0	0	321,152	333,418	339,543	18,391
Other Student Support	582,671	0	0	582,671	596,069	601,064	18,393
Regular Instruction Program	916,123	(1,192)	0	914,931	1,010,301	1,017,317	102,386
Alternative Instruction Program	88,481	0	0	88,481	91,210	93,760	5,279
Special Education Program	120,671	0	0	120,671	120,843	123,423	2,752
Vocational Education Program	57,851	0	0	57,851	60,117	60,192	2,341
Other Programs	171,552	0	0	171,552	0	171,552	0

(Continued)

Exhibit I-7

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Expenditures (Cont.)							
<u>Support Services (Cont.)</u>							
Board of Education	\$ 445,868	\$ (8,623)	\$ 0	\$ 437,245	\$ 444,825	\$ 476,478	\$ 39,233
Director of Schools	237,674	0	3,416	241,090	254,948	259,115	18,025
Office of the Principal	1,209,922	0	150	1,210,072	1,212,197	1,213,343	3,271
Fiscal Services	169,965	0	0	169,965	171,028	172,278	2,313
Operation of Plant	1,456,094	0	0	1,456,094	1,635,232	1,635,232	179,138
Maintenance of Plant	626,884	(1,750)	110,712	735,846	801,914	775,164	39,318
Transportation	1,786,646	(56,511)	86,933	1,817,068	1,844,246	1,890,353	73,285
<u>Operation of Non-Instructional Services</u>							
Community Services	453,282	0	2,098	455,380	429,473	480,069	24,689
Early Childhood Education	285,448	0	0	285,448	296,992	300,523	15,075
<u>Capital Outlay</u>							
Regular Capital Outlay	294,079	0	0	294,079	200,000	294,700	621
Principal on Debt	0	0	0	0	1,002,927	1	1
Interest on Debt	0	0	0	0	685,704	0	0
Education	0	0	0	0	0	0	0
<u>Other Debt Service</u>							
Education	1,688,630	0	0	1,688,630	0	1,688,630	0
Total Expenditures	\$ 24,011,849	\$ (69,763)	\$ 330,071	\$ 24,272,157	\$ 24,771,761	\$ 25,278,800	\$ 1,006,643
Excess (Deficiency) of Revenues	\$ 1,073,688	\$ 69,763	\$ (330,071)	\$ 813,380	\$ (20,000)	\$ (113,282)	\$ 926,662
Over Expenditures							

(Continued)

Exhibit I-7

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Other Financing Sources (Uses)							
Insurance Recovery	\$ 13,162	\$ 0	\$ 0	\$ 13,162	\$ 0	\$ 0	\$ 13,162
Transfers In	104,545	0	0	104,545	20,000	32,796	71,749
Total Other Financing Sources (Uses)	\$ 117,707	\$ 0	\$ 0	\$ 117,707	\$ 20,000	\$ 32,796	\$ 84,911
Net Change in Fund Balance	\$ 1,191,395	\$ 69,763	\$ (330,071)	\$ 931,087	\$ 0	\$ (80,486)	\$ 1,011,573
Fund Balance, July 1, 2011	3,614,929	(69,763)	0	3,545,166	0	80,486	3,464,680
Fund Balance, June 30, 2012	\$ 4,806,324	\$ 0	\$ (330,071)	\$ 4,476,253	\$ 0	\$ 0	\$ 4,476,253

Exhibit I-8

Henry County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Henry County School Department
School Federal Projects Fund
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 5	\$ 0	\$ 0	\$ 5
Federal Government	2,887,052	2,813,787	3,122,146	(235,094)
Total Revenues	\$ 2,887,057	\$ 2,813,787	\$ 3,122,146	\$ (235,089)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,740,084	\$ 1,685,036	\$ 1,835,964	\$ 95,880
Special Education Program	606,599	560,745	656,476	49,877
Vocational Education Program	59,129	48,794	59,982	853
<u>Support Services</u>				
Health Services	19,495	25,170	19,495	0
Other Student Support	26,297	26,207	28,271	1,974
Regular Instruction Program	242,573	262,374	298,823	56,250
Special Education Program	155,925	162,608	174,522	18,597
Vocational Education Program	3,896	3,485	3,970	74
Transportation	26,023	26,622	30,631	4,608
Total Expenditures	\$ 2,880,021	\$ 2,801,041	\$ 3,108,134	\$ 228,113
Excess (Deficiency) of Revenues Over Expenditures	\$ 7,036	\$ 12,746	\$ 14,012	\$ (6,976)
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 117,723	\$ 5,320	\$ (5,320)
Transfers Out	(13,234)	(130,469)	(19,332)	6,098
Total Other Financing Sources (Uses)	\$ (13,234)	\$ (12,746)	\$ (14,012)	\$ 778
Net Change in Fund Balance	\$ (6,198)	\$ 0	\$ 0	\$ (6,198)
Fund Balance, July 1, 2011	158,316	0	0	158,316
Fund Balance, June 30, 2012	\$ 152,118	\$ 0	\$ 0	\$ 152,118

Exhibit I-9

Henry County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Henry County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 670,036	\$ 536,102	\$ 536,102	\$ 133,934
Other Local Revenues	1,401	4,267	4,267	(2,866)
State of Tennessee	16,533	16,678	16,678	(145)
Federal Government	1,273,683	1,048,633	1,048,633	225,050
Total Revenues	<u>\$ 1,961,653</u>	<u>\$ 1,605,680</u>	<u>\$ 1,605,680</u>	<u>\$ 355,973</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,834,835	\$ 1,693,751	\$ 1,693,751	\$ (141,084)
Total Expenditures	<u>\$ 1,834,835</u>	<u>\$ 1,693,751</u>	<u>\$ 1,693,751</u>	<u>\$ (141,084)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 126,818</u>	<u>\$ (88,071)</u>	<u>\$ (88,071)</u>	<u>\$ 214,889</u>
Net Change in Fund Balance	\$ 126,818	\$ (88,071)	\$ (88,071)	\$ 214,889
Fund Balance, July 1, 2011	488,562	88,071	88,071	400,491
Fund Balance, June 30, 2012	<u>\$ 615,380</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 615,380</u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

Henry County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, and Bonds
For the Year Ended June 30, 2012

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-11	Issued During Period	Matured During Period	Outstanding 6-30-12
NOTES PAYABLE								
<u>Payable through General Debt Service Fund</u>								
School Energy Efficiency Improvement	\$ 499,872	0 %	2-2-07	2-15-14	\$ 214,232	\$ 0	\$ 71,410	\$ 142,822
Right-of-Way and Utility Relocation	500,000	3.74	6-17-08	6-17-18	368,251	0	47,242	321,009
Airport Industrial Building	960,000	0	8-6-08	7-31-18	850,000	0	120,000	730,000
Solid Waste Bailor	80,000	3.85	9-24-08	9-24-13	48,000	0	16,000	32,000
Emergency Services Complex	426,000	3.99	11-4-09	11-4-21	397,632	0	29,499	368,133
Energy Efficiency Projects	660,000	3.22	11-30-10	11-20-22	660,000	0	46,409	613,591
General Improvement Projects	253,716	1.07	11-1-11	6-7-12	0	253,716	253,716	0
Total Notes Payable					\$ 2,538,115	\$ 253,716	\$ 584,276	\$ 2,207,555
OTHER LOANS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Grove School/Campus Renovation	3,000,000	Variable	5-17-1996	5-25-15	\$ 905,900	\$ 0	\$ 208,600	\$ 697,300
Jail Renovation Projects	4,944,998	Variable	5-25-1999	5-25-14	359,998	0	359,998	0
Total Payable through General Debt Service Fund					\$ 1,265,898	\$ 0	\$ 568,598	\$ 697,300
<u>Payable through Highway/Public Works Fund</u>								
Road Improvements	2,800,000	Variable	8-25-09	5-25-18	\$ 1,147,664	\$ 942,336	\$ 450,000	\$ 1,640,000
Total Payable through Highway/Public Works Fund					\$ 1,147,664	\$ 942,336	\$ 450,000	\$ 1,640,000
Total Other Loans Payable					\$ 2,413,562	\$ 942,336	\$ 1,018,598	\$ 2,337,300
BONDS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
School, Series 2001B (CAB) (1)	3,693,361	4.6 to 5.2	3-1-01	5-1-21	\$ 3,076,516	\$ 0	\$ 277,438	\$ 2,799,078
School, Rural Series 2003	6,600,000	4.25 to 4.6	1-1-03	5-1-25	6,600,000	0	0	6,600,000
School, Refunding Series 2005	5,790,000	3 to 3.85	5-27-05	5-1-18	4,595,000	0	550,000	4,045,000
School, Series 2010	2,500,000	1.6 to 4.25	1-22-10	5-1-26	2,455,000	0	45,000	2,410,000
Total Bonds Payable					\$ 16,726,516	\$ 0	\$ 872,438	\$ 15,854,078

(1) These (CAB) bonds accrete interest that is paid at bond maturity. As of June 30, 2012, interest of \$2,118,951 has accreted on the bonds.

Exhibit J-2

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

Year Ending June 30	Notes		
	Principal	Interest	Total
2013	\$ 334,420	\$ 47,738	\$ 382,158
2014	339,055	42,487	381,542
2015	256,394	37,122	293,516
2016	261,315	32,201	293,516
2017	266,379	27,137	293,516
2018	269,755	21,815	291,570
2019	106,092	16,410	122,502
2020	99,485	13,017	112,502
2021	102,982	9,520	112,502
2022	106,636	5,864	112,500
2023	65,042	2,094	67,136
Total	\$ 2,207,555	\$ 255,405	\$ 2,462,960

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2013	\$ 483,100	\$ 12,011	\$ 5,249	\$ 500,360
2014	508,200	9,467	3,975	521,642
2015	535,000	6,792	2,632	544,424
2016	304,000	3,974	1,217	309,191
2017	319,000	2,484	761	322,245
2018	188,000	921	282	189,203
Total	\$ 2,337,300	\$ 35,649	\$ 14,116	\$ 2,387,065

Year Ending June 30	Bonds		
	Principal	Interest	Total
2013	\$ 880,447	\$ 736,803	\$ 1,617,250
2014	885,341	731,064	1,616,405
2015	898,169	726,240	1,624,409
2016	1,168,040	712,930	1,880,970
2017	1,195,910	690,460	1,886,370
2018	971,633	907,387	1,879,020
2019	642,109	1,263,746	1,905,855
2020	607,815	1,296,115	1,903,930
2021	1,299,614	597,391	1,897,005
2022	1,575,000	320,665	1,895,665
2023	1,650,000	250,968	1,900,968
2024	1,720,000	177,172	1,897,172
2025	1,800,000	99,400	1,899,400
2026	560,000	23,800	583,800
Total	\$ 15,854,078	\$ 8,534,141	\$ 24,388,219

Exhibit J-3

Henry County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Henry County School Department
For the Year Ended June 30, 2012

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	Highway/Public Works	Net wheel tax revenue	\$ 429,405
"	"	Litter program	5,000
"	General Debt Service	Debt payments	25,000
Solid Waste/Sanitation	"	"	<u>17,848</u>
Total Transfers Primary Government			<u>\$ 477,253</u>
<u>DISCRETELY PRESENTED HENRY COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ 13,234
Education Capital Projects	"	Various projects	<u>91,311</u>
Total Transfers Discretely Presented Henry County School Department			<u>\$ 104,545</u>

Exhibit J-4

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	\$ 71,322	\$ 50,000	RLI Insurance Company
County Road Supervisor	Section 8-24-102, TCA	67,927	100,000	"
Director of Schools	State Board of Education and County Board of Education	136,200 (1)	50,000	Western Surety Company
Trustee	Section 8-24-102, TCA	61,751	1,212,416	RLI Insurance Company
Assessor of Property	Section 8-24-102, TCA	61,751	10,000	"
County Clerk	Section 8-24-102, TCA	61,751	50,000	"
Circuit, General Sessions, and Juvenile Courts Clerk	Section 8-24-102, TCA	61,751	100,000	"
Clerk and Master	Section 8-24-102, TCA and Chancery Court Judge	61,751 (2)	60,000	"
Register	Section 8-24-102, TCA	61,751	25,000	"
Sheriff	Section 8-24-102, TCA	68,527 (3)	25,000	"
Employee Blanket Bonds:				
Offices of County Mayor and County Road Supervisor			150,000	Tennessee Risk Management Trust
Office of Director of Schools			150,000	"

- (1) Includes a chief executive officer training supplement of \$1,000.
- (2) Does not include special commissioner fees of \$6,909.
- (3) Includes a \$600 law enforcement training supplement.

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	Debt Service Fund			
					General	Debt Service		
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 2,920,611	\$ 256,312	\$ 0	\$ 1,337,122	\$ 230,849	\$ 4,744,894		
Trustee's Collections - Prior Year	93,878	8,990	0	42,435	4,625	149,928		
Trustee's Collections - Bankruptcy	13,831	1,390	0	7,603	829	23,653		
Circuit/Clerk & Master Collections - Prior Years	33,582	3,664	0	17,096	1,832	56,174		
Interest and Penalty	20,814	2,070	0	10,663	1,033	34,580		
Pick-up Taxes	3,834	337	0	1,750	302	6,223		
Payments in-Lieu-of-Taxes - Local Utilities	45,961	4,032	0	20,965	3,628	74,586		
Payments in-Lieu-of-Taxes - Other	94,140	8,307	0	43,193	7,292	152,932		
<u>County Local Option Taxes</u>								
Local Option Sales Tax	640,982	0	0	0	0	640,982		
Hotel/Motel Tax	231,603	0	0	0	0	231,603		
Wheel Tax	433,742	0	0	0	534,959	968,701		
Litigation Tax - General	104,811	0	0	0	0	104,811		
Litigation Tax - Jail, Workhouse, or Courthouse	550	0	0	0	34,838	35,388		
Business Tax	85,267	7,687	0	36,869	6,494	136,317		
<u>Statutory Local Taxes</u>								
Bank Excise Tax	43,984	3,858	0	20,063	3,472	71,377		
Wholesale Beer Tax	455,197	0	0	0	0	455,197		
Interstate Telecommunications Tax	1,242	0	0	0	0	1,242		
Other Statutory Local Taxes	0	0	25	0	0	25		
Total Local Taxes	\$ 5,224,029	\$ 296,647	\$ 25	\$ 1,537,759	\$ 830,153	\$ 7,888,613		
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Animal Registration	\$ 11,416	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,416		
Cable TV Franchise	124,617	0	0	0	0	124,617		
Total Licenses and Permits	\$ 136,033	\$ 0	\$ 0	\$ 0	\$ 0	\$ 136,033		

(Continued)

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

	General	Special Revenue Funds					Total	
		Solid Waste / Sanitation	Drug Control	Highway / Public Works	Debt Service Fund			
					General	Debt Service		
	\$	5,207	\$	0	\$	0	\$	5,207
<u>Circuit Court</u>								
Fines		9,120		0		0		9,120
Officers Costs		6,984		4,659		0		11,643
Drug Control Fines		95		0		0		95
DUI Treatment Fines		626		0		0		626
Data Entry Fee - Circuit Court		465		0		0		465
Courtroom Security Fee								
<u>General Sessions Court</u>								
Fines		32,331		0		0		32,331
Officers Costs		66,601		0		0		66,601
Game and Fish Fines		3,375		0		0		3,375
Drug Control Fines		8,752		7,593		0		16,345
Drug Court Fees		9,202		0		0		9,202
Jail Fees		1,468		0		0		1,468
DUI Treatment Fines		5,235		0		0		5,235
Data Entry Fee - General Sessions Court		6,434		0		0		6,434
Courtroom Security Fee		166		0		0		166
Victims Assistance Assessments		29,842		0		0		29,842
<u>Juvenile Court</u>								
Fines		3,325		0		0		3,325
Officers Costs		183		0		0		183
Data Entry Fee - Juvenile Court		442		0		0		442
Courtroom Security Fee		466		0		0		466
<u>Chancery Court</u>								
Officers Costs		2,174		0		0		2,174
Data Entry Fee - Chancery Court		2,006		0		0		2,006
<u>Other Fines, Forfeitures, and Penalties</u>								
Proceeds from Confiscated Property		0		4,092		0		4,092
Other Fines, Forfeitures, and Penalties		0		25,784		0		25,784
Total Fines, Forfeitures, and Penalties		\$ 194,499	\$	42,128	\$	0	\$	236,627

(Continued)

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

	Special Revenue Funds						Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	Debt Service Fund		
					General	Debt Service	
<u>Charges for Current Services</u>							
<u>General Service Charges</u>							
Sale of Electricity	\$ 21,563	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,563
Work Release Charges for Board Fees	1,300	0	0	0	0	0	1,300
Airport Fees	29,767	0	0	0	0	0	29,767
Copy Fees	1,320	0	0	0	0	0	1,320
Greenbelt Late Application Fee	150	0	0	0	0	0	150
Telephone Commissions	64,821	0	0	0	0	0	64,821
Vending Machine Collections	452	0	0	0	0	0	452
Data Processing Fee - Register	11,486	0	0	0	0	0	11,486
Data Processing Fee - Sheriff	12,032	0	0	0	0	0	12,032
Sexual Offender Registration Fees - Sheriff	2,600	0	0	0	0	0	2,600
Data Processing Fee - County Clerk	2,756	0	0	0	0	0	2,756
Total Charges for Current Services	\$ 148,247	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 148,247
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 63,747	\$ 63,747	\$ 63,747
Lease/Rentals	54,967	0	0	1,200	60,527	116,694	116,694
Sale of Materials and Supplies	0	0	0	7,972	0	7,972	7,972
Commissary Sales	48,920	0	0	0	0	48,920	48,920
Sale of Gasoline	422,063	0	0	45,640	0	467,703	467,703
Sale of Recycled Materials	0	263,344	0	0	0	263,344	263,344
Sale of Animals/Livestock	952	0	0	0	0	952	952
Miscellaneous Refunds	2,378	225	4,728	332	837	8,500	8,500
<u>Nonrecurring Items</u>							
Sale of Equipment	5,602	0	28,508	0	0	34,110	34,110
Sale of Property	722	0	0	0	0	722	722
Damages Recovered from Individuals	1	0	0	0	0	1	1
Performance Bond Forfeitures	11,110	0	0	0	0	11,110	11,110

(Continued)

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

	Special Revenue Funds					Total	
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	Debt Service Fund		
					General		Debt Service
<u>Other Local Revenues (Cont.)</u>							
Other Local Revenues	\$ 65,592	\$ 0	\$ 0	\$ 300	\$ 0	\$ 65,892	
Total Other Local Revenues	\$ 612,307	\$ 263,569	\$ 33,236	\$ 55,444	\$ 125,111	\$ 1,089,667	
<u>Fees Received from County Officials</u>							
<u>Fees in-Lieu-of Salary</u>							
County Clerk	\$ 417,246	\$ 0	\$ 0	\$ 0	\$ 0	\$ 417,246	
Circuit Court Clerk	86,057	0	0	0	0	86,057	
General Sessions Court Clerk	212,323	0	0	0	0	212,323	
Clerk and Master	110,927	0	0	0	0	110,927	
Juvenile Court Clerk	76,565	0	0	0	0	76,565	
Register	150,415	0	0	0	0	150,415	
Sheriff	6,653	0	0	0	0	6,653	
Trustee	425,227	0	0	0	0	425,227	
Total Fees Received from County Officials	\$ 1,485,413	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,485,413	
<u>State of Tennessee</u>							
<u>General Government Grants</u>							
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000	
Airport Maintenance Program	1,555,880	0	0	0	0	1,555,880	
Aging Programs	38,599	0	0	0	0	38,599	
Solid Waste Grants	0	20,434	0	0	0	20,434	
<u>Public Safety Grants</u>							
Law Enforcement Training Programs	18,600	0	0	0	0	18,600	
Other Public Safety Grants	116,392	0	0	0	0	116,392	
<u>Health and Welfare Grants</u>							
Other Health and Welfare Grants	44,695	0	0	0	0	44,695	
<u>Public Works Grants</u>							
Bridge Program	0	0	0	38,527	0	38,527	
State Aid Program	0	0	0	167,532	0	167,532	
Litter Program	0	0	0	55,817	0	55,817	

(Continued)

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	Debt Service Fund			
					General	Debt Service		
<u>State of Tennessee (Cont.)</u>								
<u>Other State Revenues</u>								
Resort District Sales Tax	\$ 925,619	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 925,619	
Beer Tax	18,421	0	0	0	0	0	18,421	
Alcoholic Beverage Tax	61,131	0	0	0	0	0	61,131	
Mixed Drink Tax	20,170	0	0	0	0	0	20,170	
Prisoner Transportation	11,233	0	0	0	0	0	11,233	
Contracted Prisoner Boarding	1,047,760	0	0	0	0	0	1,047,760	
Gasoline and Motor Fuel Tax	0	0	0	1,830,499	0	0	1,830,499	
Petroleum Special Tax	0	0	0	23,328	0	0	23,328	
Registrar's Salary Supplement	15,164	0	0	0	0	0	15,164	
Other State Revenues	32,479	0	0	170	0	0	32,649	
Total State of Tennessee	\$ 3,915,143	\$ 20,434	\$ 0	\$ 2,115,873	\$ 0	\$ 0	\$ 6,051,450	
<u>Federal Government</u>								
<u>Federal Through State</u>								
Community Development	\$ 187,376	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 187,376	
Disaster Relief	0	0	0	176,881	0	0	176,881	
ARRA Grant # B	442	0	0	0	0	0	442	
<u>Direct Federal Revenue</u>	311,041	0	1,497	0	0	0	312,538	
Other Direct Federal Revenue	498,859	0	1,497	176,881	0	0	677,237	
Total Federal Government	\$ 498,859	\$ 0	\$ 1,497	\$ 176,881	\$ 0	\$ 0	\$ 677,237	
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Prisoner Board	\$ 272,545	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 272,545	
Contributions	89,960	0	25,000	0	1,688,630	0	1,803,590	
Contracted Services	11,697	0	0	0	0	0	11,697	
Total Other Governments and Citizens Groups	\$ 374,202	\$ 0	\$ 25,000	\$ 0	\$ 1,688,630	\$ 0	\$ 2,087,832	
Total	\$ 12,588,732	\$ 580,650	\$ 101,886	\$ 3,885,957	\$ 2,643,894	\$ 19,801,119		

Exhibit J-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 4,311,764	\$ 0	\$ 0	\$ 0	\$ 4,311,764
Trustee's Collections - Prior Year	128,796	0	0	0	128,796
Trustee's Collections - Bankruptcy	21,828	0	0	0	21,828
Circuit/Clerk & Master Collections - Prior Years	55,497	0	0	0	55,497
Interest and Penalty	32,562	0	0	0	32,562
Pick-up Taxes	5,603	0	0	0	5,603
Payments in-Lieu-of Taxes - T.V.A.	3,080	0	0	0	3,080
Payments in-Lieu-of Taxes - Local Utilities	67,605	0	0	0	67,605
Payments in-Lieu-of Taxes - Other	132,254	0	0	0	132,254
<u>County Local Option Taxes</u>					
Local Option Sales Tax	2,732,505	0	0	0	2,732,505
Business Tax	127,109	0	0	0	127,109
<u>Statutory Local Taxes</u>					
Bank Excise Tax	64,697	0	0	0	64,697
Interstate Telecommunications Tax	1,266	0	0	0	1,266
Total Local Taxes	\$ 7,684,566	\$ 0	\$ 0	\$ 0	\$ 7,684,566
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 1,795	\$ 0	\$ 0	\$ 0	\$ 1,795
Total Licenses and Permits	\$ 1,795	\$ 0	\$ 0	\$ 0	\$ 1,795
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Lunch Payments - Children	\$ 0	\$ 0	\$ 324,629	\$ 0	\$ 324,629
Lunch Payments - Adults	0	0	55,563	0	55,563
Income from Breakfast	0	0	32,671	0	32,671
A la carte Sales	0	0	257,173	0	257,173
Receipts from Individual Schools	47,953	0	0	0	47,953
Community Service Fees - Children	275	0	0	0	275
<u>Other Charges for Services</u>					
Other Charges for Services	26,309	0	0	0	26,309
Total Charges for Current Services	\$ 74,537	\$ 0	\$ 670,036	\$ 0	\$ 744,573
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 1,401	\$ 0	\$ 1,401
Lease/Rentals	250	0	0	0	250
Sale of Materials and Supplies	5,468	0	0	0	5,468
Miscellaneous Refunds	71,858	5	0	84,278	156,141
<u>Nonrecurring Items</u>					
Damages Recovered from Individuals	1,764	0	0	0	1,764
Contributions and Gifts	60,160	0	0	0	60,160
<u>Other Local Revenues</u>					
Other Local Revenues	434	0	0	0	434
Total Other Local Revenues	\$ 139,934	\$ 5	\$ 1,401	\$ 84,278	\$ 225,618

(Continued)

Exhibit J-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-Behalf Contributions for OPEB	\$ 171,552	\$ 0	\$ 0	\$ 0	\$ 171,552
<u>State Education Funds</u>					
Basic Education Program	13,945,000	0	0	0	13,945,000
Early Childhood Education	266,658	0	0	0	266,658
School Food Service	0	0	16,533	0	16,533
Energy Efficient School Initiative	12,100	0	0	0	12,100
Driver Education	11,256	0	0	0	11,256
Other State Education Funds	340,465	0	0	0	340,465
Coordinated School Health - ARRA	1,758	0	0	0	1,758
Family Resource Centers - ARRA	29,544	0	0	0	29,544
Career Ladder Program	108,574	0	0	0	108,574
Career Ladder - Extended Contract	96,600	0	0	0	96,600
Career Ladder - Extended Contract - ARRA	21,128	0	0	0	21,128
<u>Other State Revenues</u>					
Income Tax	76,306	0	0	0	76,306
Mixed Drink Tax	13,419	0	0	0	13,419
State Revenue Sharing - T.V.A.	1,683,664	0	0	0	1,683,664
Other State Grants	60,445	0	0	0	60,445
Other State Revenues	7,089	0	0	0	7,089
Total State of Tennessee	\$ 16,845,558	\$ 0	\$ 16,533	\$ 0	\$ 16,862,091
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 871,189	\$ 0	\$ 871,189
USDA - Commodities	0	0	72,785	0	72,785
Breakfast	0	0	329,709	0	329,709
USDA - Other	41,986	0	0	0	41,986
Adult Education State Grant Program	196,161	0	0	0	196,161
Vocational Education - Basic Grants to States	0	80,487	0	0	80,487
Title I Grants to Local Education Agencies	0	883,936	0	0	883,936
Special Education - Grants to States	0	736,686	0	0	736,686
Special Education Preschool Grants	0	50,622	0	0	50,622
English Language Acquisition Grants	0	2,175	0	0	2,175
Safe and Drug-free Schools - State Grants	0	5	0	0	5
Rural Education	0	77,569	0	0	77,569
Eisenhower Professional Development State Grants	0	130,216	0	0	130,216
Race-to-the-Top - ARRA	0	170,788	0	0	170,788
Other Federal through State	101,000	754,568	0	0	855,568
Total Federal Government	\$ 339,147	\$ 2,887,052	\$ 1,273,683	\$ 0	\$ 4,499,882
Total	\$ 25,085,537	\$ 2,887,057	\$ 1,961,653	\$ 84,278	\$ 30,018,525

Exhibit J-7

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

General Fund

General Government

County Commission

Board and Committee Members Fees	\$ 26,850	
Dues and Memberships	1,850	
Travel	<u>8,658</u>	
Total County Commission		\$ 37,358

Board of Equalization

Other Per Diem and Fees	\$ <u>400</u>	
Total Board of Equalization		400

Other Boards and Committees

Board and Committee Members Fees	\$ <u>4,375</u>	
Total Other Boards and Committees		4,375

County Mayor/Executive

County Official/Administrative Officer	\$ 71,322	
Secretary(ies)	30,265	
Custodial Personnel	42,272	
Maintenance Personnel	42,070	
Dues and Memberships	1,650	
Operating Lease Payments	2,250	
Postal Charges	261	
Travel	5,200	
Office Supplies	1,711	
In Service/Staff Development	<u>516</u>	
Total County Mayor/Executive		197,517

County Attorney

Other Per Diem and Fees	\$ <u>19,765</u>	
Total County Attorney		19,765

Election Commission

County Official/Administrative Officer	\$ 55,576
Deputy(ies)	28,802
Election Commission	3,080
Election Workers	10,588
Data Processing Services	18,003
Dues and Memberships	175
Maintenance and Repair Services - Office Equipment	114
Postal Charges	596
Printing, Stationery, and Forms	3,520

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Rentals	\$	300	
Travel		4,068	
Office Supplies		3,052	
Data Processing Equipment		34,820	
Total Election Commission			\$ 162,694

Register of Deeds

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		82,576	
Dues and Memberships		607	
Maintenance and Repair Services - Office Equipment		1,500	
Postal Charges		1,000	
Printing, Stationery, and Forms		986	
Travel		507	
Data Processing Supplies		14,779	
Duplicating Supplies		2,063	
Office Supplies		622	
Other Charges		419	
Total Register of Deeds			166,810

Building

Maintenance Personnel	\$	24,055	
Part-time Personnel		5,421	
Communication		230	
Maintenance and Repair Services - Buildings		7,004	
Other Contracted Services		1,500	
Custodial Supplies		4,487	
Utilities		33,216	
Total Building			75,913

County Buildings

Communication	\$	59,495	
Natural Gas		19,073	
Utilities		55,480	
Total County Buildings			134,048

Other General Administration

Maintenance and Repair Services - Buildings	\$	19,003	
Maintenance and Repair Services - Equipment		163	
Custodial Supplies		4,959	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Other General Administration (Cont.)

Other Supplies and Materials	\$	486	
Building and Contents Insurance		111,761	
Other Charges		428	
Total Other General Administration			\$ 136,800

Preservation of Records

Part-time Personnel	\$	6,714	
Other Supplies and Materials		1,000	
Other Charges		1,500	
Total Preservation of Records			9,214

Finance

Accounting and Budgeting

Supervisor/Director	\$	44,781	
Deputy(ies)		28,532	
Data Processing Services		8,170	
Operating Lease Payments		1,963	
Maintenance and Repair Services - Office Equipment		423	
Postal Charges		1,678	
Data Processing Supplies		1,593	
Office Supplies		689	
In Service/Staff Development		838	
Total Accounting and Budgeting			88,667

Property Assessor's Office

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		130,886	
Data Processing Services		3,000	
Operating Lease Payments		3,897	
Maintenance and Repair Services - Office Equipment		2,310	
Postal Charges		516	
Travel		179	
Office Supplies		1,286	
Other Supplies and Materials		746	
Other Charges		278	
Total Property Assessor's Office			204,849

Reappraisal Program

Deputy(ies)	\$	26,944	
Contracts with Private Agencies		43,475	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program (Cont.)

Data Processing Services	\$	4,876	
Operating Lease Payments		1,516	
Maintenance and Repair Services - Vehicles		948	
Postal Charges		2,334	
Gasoline		2,935	
Other Charges		1,122	
Total Reappraisal Program			\$ 84,150

County Trustee's Office

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		79,595	
Data Processing Services		24,632	
Dues and Memberships		707	
Operating Lease Payments		2,141	
Legal Notices, Recording, and Court Costs		410	
Postal Charges		9,706	
Printing, Stationery, and Forms		3,200	
Travel		1,420	
Office Supplies		1,379	
In Service/Staff Development		1,781	
Total County Trustee's Office			186,722

County Clerk's Office

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		121,493	
Part-time Personnel		1,296	
Data Processing Services		13,056	
Dues and Memberships		632	
Operating Lease Payments		4,280	
Maintenance and Repair Services - Office Equipment		466	
Postal Charges		6,727	
Travel		1,452	
Office Supplies		1,821	
In Service/Staff Development		402	
Other Charges		208	
Total County Clerk's Office			213,584

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	61,751	
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(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Deputy(ies)	\$	84,181	
Part-time Personnel		11,765	
Jury and Witness Expense		8,490	
Data Processing Services		11,162	
Dues and Memberships		682	
Operating Lease Payments		657	
Maintenance and Repair Services - Office Equipment		3,054	
Postal Charges		3,504	
Travel		1,766	
Other Contracted Services		255	
Office Supplies		14,837	
Other Charges		716	
Total Circuit Court			\$ 202,820

General Sessions Court

Deputy(ies)	\$	96,923	
Total General Sessions Court			96,923

General Sessions Judge

Judge(s)	\$	139,682	
Dues and Memberships		1,482	
Travel		1,688	
Periodicals		1,907	
Uniforms		476	
Other Charges		9,302	
Total General Sessions Judge			154,537

Chancery Court

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		75,650	
Data Processing Services		2,790	
Dues and Memberships		364	
Legal Notices, Recording, and Court Costs		252	
Maintenance and Repair Services - Office Equipment		900	
Postal Charges		5,927	
Travel		448	
Data Processing Supplies		2,254	
Office Supplies		6,423	
Other Charges		349	
Data Processing Equipment		1,017	
Total Chancery Court			158,125

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court

Deputy(ies)	\$	30,265	
Probation Officer(s)		74,334	
Youth Service Officer(s)		37,987	
Part-time Personnel		17,942	
Communication		4,447	
Contracts with Other Public Agencies		3,930	
Data Processing Services		2,950	
Dues and Memberships		190	
Maintenance and Repair Services - Vehicles		64	
Postal Charges		251	
Travel		1,778	
Data Processing Supplies		184	
Gasoline		437	
Office Supplies		2,264	
Other Supplies and Materials		400	
Other Charges		320	
Total Juvenile Court			\$ 177,743

Probate Court

Deputy(ies)	\$	28,281	
Data Processing Services		2,790	
Dues and Memberships		314	
Postal Charges		350	
Data Processing Supplies		567	
Office Supplies		1,180	
In Service/Staff Development		193	
Other Charges		176	
Data Processing Equipment		42	
Total Probate Court			33,893

Other Administration of Justice

Legal Services	\$	10,701	
Total Other Administration of Justice			10,701

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	67,927	
Assistant(s)		46,581	
Supervisor/Director		33,256	
Deputy(ies)		441,015	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Investigator(s)	\$	160,905	
Captain(s)		43,763	
Lieutenant(s)		41,742	
Sergeant(s)		354,105	
Salary Supplements		18,600	
Dispatchers/Radio Operators		106,544	
Clerical Personnel		56,272	
Attendants		28,515	
Maintenance Personnel		7,631	
Temporary Personnel		14,272	
Overtime Pay		15,014	
Other Salaries and Wages		36,397	
Communication		5,047	
Data Processing Services		18,730	
Dues and Memberships		2,305	
Operating Lease Payments		2,813	
Maintenance and Repair Services - Buildings		5,235	
Maintenance and Repair Services - Equipment		10,768	
Maintenance and Repair Services - Vehicles		40,632	
Postal Charges		2,929	
Tow-in Services		510	
Travel		7,978	
Other Contracted Services		4,800	
Custodial Supplies		3,624	
Gasoline		134,015	
Law Enforcement Supplies		6,933	
Office Supplies		15,958	
Tires and Tubes		9,147	
Uniforms		15,432	
Utilities		103,859	
Other Supplies and Materials		4,825	
In Service/Staff Development		4,900	
Law Enforcement Equipment		5,089	
Office Equipment		2,195	
Total Sheriff's Department			\$ 1,880,263

Special Patrols

Nightwatchmen	\$	78,346	
Total Special Patrols			78,346

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail

Deputy(ies)	\$	67,390	
Captain(s)		43,763	
Lieutenant(s)		41,742	
Guards		624,076	
Cafeteria Personnel		27,273	
Maintenance Personnel		30,522	
Temporary Personnel		2,548	
Part-time Personnel		8,133	
Overtime Pay		16,242	
Other Salaries and Wages		28,579	
Data Processing Services		1,000	
Maintenance and Repair Services - Buildings		12,561	
Maintenance and Repair Services - Equipment		3,989	
Maintenance and Repair Services - Office Equipment		275	
Maintenance and Repair Services - Vehicles		1,194	
Medical and Dental Services		38,583	
Transportation - Other than Students		2,758	
Travel		3,342	
Custodial Supplies		18,162	
Drugs and Medical Supplies		24,557	
Food Preparation Supplies		2,768	
Food Supplies		174,146	
Prisoners Clothing		9,161	
Uniforms		11,015	
Other Supplies and Materials		2,879	
In Service/Staff Development		690	
Other Charges		12,141	
Total Jail			\$ 1,209,489

Fire Prevention and Control

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

Rescue Squad

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

Other Emergency Management

Supervisor/Director	\$	17,811	
Social Security		1,104	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management (Cont.)

State Retirement	\$	1,395	
Employer Medicare		258	
Communication		3,587	
Maintenance and Repair Services - Equipment		348	
Maintenance and Repair Services - Vehicles		683	
Travel		1,068	
Utilities		1,200	
Other Supplies and Materials		1,563	
Other Charges		38,824	
Total Other Emergency Management			\$ 67,841

County Coroner/Medical Examiner

Other Per Diem and Fees	\$	19,375	
Other Contracted Services		19,988	
Gasoline		228	
Total County Coroner/Medical Examiner			39,591

Public Health and Welfare

Local Health Center

Medical Personnel	\$	32,580	
Part-time Personnel		3,263	
Other Salaries and Wages		12,631	
Social Security		2,971	
State Retirement		2,551	
Medical Insurance		8,590	
Unemployment Compensation		597	
Employer Medicare		703	
Communication		930	
Contracts with Government Agencies		23,000	
Dues and Memberships		261	
Maintenance and Repair Services - Buildings		10,793	
Maintenance and Repair Services - Office Equipment		697	
Postal Charges		479	
Travel		366	
Custodial Supplies		477	
Drugs and Medical Supplies		1,646	
Office Supplies		1,950	
Other Charges		692	
Total Local Health Center			105,177

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Rabies and Animal Control

Contracts with Other Public Agencies	\$	3,547	
Other Charges		400	
Total Rabies and Animal Control			\$ 3,947

Maternal and Child Health Services

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

Alcohol and Drug Programs

Contributions	\$	6,540	
Drug Treatment		2,688	
Total Alcohol and Drug Programs			9,228

Crippled Children Services

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

Other Local Health Services

Contributions	\$	19,500	
Other Supplies and Materials		1,200	
Total Other Local Health Services			20,700

Social, Cultural, and Recreational Services

Adult Activities

Supervisor/Director	\$	23,598	
Social Workers		15,740	
Bus Drivers		9,158	
Part-time Personnel		16,229	
Other Salaries and Wages		6,021	
Social Security		4,386	
Handling Charges and Administrative Costs		908	
State Retirement		1,605	
Unemployment Compensation		1,590	
Employer Medicare		1,026	
Communication		569	
Maintenance and Repair Services - Office Equipment		155	
Maintenance and Repair Services - Vehicles		854	
Postal Charges		798	
Printing, Stationery, and Forms		620	
Travel		4,434	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Adult Activities (Cont.)

Other Contracted Services	\$	5,002	
Gasoline		1,434	
Office Supplies		1,194	
Other Supplies and Materials		584	
Other Charges		1,495	
Total Adult Activities			\$ 97,400

Libraries

Contributions	\$	123,745	
Total Libraries			123,745

Parks and Fair Boards

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

Other Social, Cultural, and Recreational

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

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	43,792	
Secretary(ies)		7,791	
Part-time Personnel		1,548	
Social Security		3,198	
State Retirement		7,999	
Employer Medicare		748	
Communication		2,731	
Dues and Memberships		240	
Operating Lease Payments		2,663	
Postal Charges		300	
Rentals		10,000	
Travel		4,000	
Custodial Supplies		5,470	
Office Supplies		165	
Utilities		11,665	
Other Charges		930	
Total Agriculture Extension Service			103,240

(Continued)

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Soil Conservation

Secretary(ies)	\$	26,944	
Social Security		1,670	
State Retirement		2,110	
Unemployment Compensation		68	
Employer Medicare		391	
Total Soil Conservation			\$ 31,183

Flood Control

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

Other Operations

Tourism

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

Tourism-Resort District

Contributions	\$	403,105	
Total Tourism-Resort District			403,105

Industrial Development

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

Airport

Supervisor/Director	\$	35,934	
Part-time Personnel		22,757	
Other Salaries and Wages		24,582	
Social Security		3,996	
State Retirement		4,740	
Employer Medicare		1,211	
Communication		1,778	
Maintenance and Repair Services - Buildings		6,472	
Maintenance and Repair Services - Equipment		10,078	
Maintenance and Repair Services - Vehicles		952	
Travel		559	
Remittance of Revenue Collected		20,558	
Other Contracted Services		3,546	
Diesel Fuel		1,984	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Airport (Cont.)

Gasoline	\$ 332,241	
Office Supplies	347	
Utilities	14,860	
Liability Insurance	3,821	
Other Charges	3,070	
Airport Improvement	<u>1,648,041</u>	
Total Airport		\$ 2,141,527

Veterans' Services

County Official/Administrative Officer	\$ 29,865	
Dues and Memberships	80	
Maintenance and Repair Services - Vehicles	511	
Postal Charges	176	
Travel	689	
Gasoline	2,488	
Office Supplies	469	
In Service/Staff Development	<u>113</u>	
Total Veterans' Services		34,391

Other Charges

Advertising	\$ 869	
Audit Services	9,699	
Dues and Memberships	14,355	
Pest Control	8,660	
Other Supplies and Materials	1,816	
Premiums on Corporate Surety Bonds	3,327	
Trustee's Commission	<u>90,586</u>	
Total Other Charges		129,312

Contributions to Other Agencies

Contributions	\$ 15,550	
Matching Share	58,574	
Remittance of Revenue Collected	226,127	
Other Charges	<u>59,684</u>	
Total Contributions to Other Agencies		359,935

Employee Benefits

Longevity Pay	\$ 15,200	
Bonus Payments	45,550	
Social Security	264,662	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Employee Benefits (Cont.)

State Retirement	\$ 314,251	
Medical Insurance	691,474	
Unemployment Compensation	36,043	
Employer Medicare	62,122	
Workers' Compensation Insurance	<u>102,304</u>	
Total Employee Benefits		\$ 1,531,606

Miscellaneous

Other Contracted Services	\$ <u>51,079</u>	
Total Miscellaneous		<u>51,079</u>

Total General Fund \$ 11,163,081

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$ 31,765	
Salary Supplements	400	
Social Security	1,994	
State Retirement	2,487	
Medical Insurance	6,030	
Unemployment Compensation	270	
Employer Medicare	466	
Advertising	150	
Dues and Memberships	100	
Postal Charges	117	
Travel	1,074	
Office Supplies	<u>69</u>	
Total Sanitation Management		\$ 44,922

Recycling Center

Salary Supplements	\$ 3,500
Foremen	29,547
Truck Drivers	179,337
Longevity Pay	650
Overtime Pay	735
Social Security	13,420
State Retirement	16,259
Medical Insurance	54,744
Unemployment Compensation	2,380

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Recycling Center (Cont.)

Employer Medicare	\$	3,186	
Communication		2,546	
Freight Expenses		13,900	
Maintenance and Repair Services - Buildings		2,793	
Maintenance and Repair Services - Equipment		9,439	
Maintenance and Repair Services - Vehicles		14,260	
Pest Control		160	
Custodial Supplies		612	
Drugs and Medical Supplies		50	
Food Supplies		2,729	
Gasoline		48,066	
Natural Gas		319	
Small Tools		767	
Tires and Tubes		4,994	
Utilities		9,647	
Wire		3,700	
Other Supplies and Materials		2,001	
Other Charges		<u>7,727</u>	
Total Recycling Center			\$ 427,468

Landfill Operation and Maintenance

Contracts with Government Agencies	\$	<u>73,058</u>	
Total Landfill Operation and Maintenance			73,058

Other Waste Disposal

Disposal Fees	\$	<u>21,026</u>	
Total Other Waste Disposal			21,026

Other Operations

Other Charges

Trustee's Commission	\$	<u>5,764</u>	
Total Other Charges			<u>5,764</u>

Total Solid Waste/Sanitation Fund \$ 572,238

Drug Control Fund

Public Safety

Drug Enforcement

Part-time Personnel	\$	24,767	
Social Security		1,536	

(Continued)

Exhibit J-7

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Employer Medicare	\$	359	
Communication		980	
Contracts with Government Agencies		3,899	
Confidential Drug Enforcement Payments		19,000	
Dues and Memberships		190	
Maintenance and Repair Services - Equipment		549	
Maintenance and Repair Services - Vehicles		412	
Rentals		2,500	
Tow-in Services		2,380	
Travel		2,030	
Animal Food and Supplies		2,782	
Gasoline		5,768	
Law Enforcement Supplies		1,611	
Natural Gas		69	
Utilities		443	
Trustee's Commission		434	
In Service/Staff Development		700	
Other Charges		11,083	
Data Processing Equipment		420	
Law Enforcement Equipment		68,118	
Total Drug Enforcement			\$ 150,030

Total Drug Control Fund \$ 150,030

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	67,927
Assistant(s)		33,914
Guards		60,987
Secretary(ies)		30,752
Clerical Personnel		27,753
Custodial Personnel		6,098
Part-time Personnel		3,911
Other Salaries and Wages		19,950
Board and Committee Members Fees		8,280
Maintenance and Repair Services - Buildings		1,436
Maintenance and Repair Services - Office Equipment		873
Postal Charges		947
Printing, Stationery, and Forms		1,156

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Travel	\$	181	
Permits		2,080	
Custodial Supplies		353	
Drugs and Medical Supplies		659	
Office Supplies		783	
In Service/Staff Development		645	
Other Charges		433	
Total Administration			\$ 269,118

Highway and Bridge Maintenance

Equipment Operators	\$	481,443	
Truck Drivers		198,332	
Laborers		146,338	
Overtime Pay		10,503	
Rentals		3,068	
Other Contracted Services		71,480	
Asphalt - Hot Mix		132,468	
Asphalt - Liquid		147,783	
Concrete		2,157	
Crushed Stone		273,992	
General Construction Materials		1,853	
Other Road Supplies		200	
Pipe		50,661	
Road Signs		13,532	
Small Tools		740	
Wood Products		9,817	
Landfill Closure/Postclosure Care Costs		627	
Other Charges		1,843	
Total Highway and Bridge Maintenance			1,546,837

Operation and Maintenance of Equipment

Mechanic(s)	\$	173,690
Overtime Pay		5,307
Maintenance and Repair Services - Equipment		18,162
Other Contracted Services		11,396
Diesel Fuel		190,412
Equipment and Machinery Parts		115,085
Garage Supplies		1,166
Gasoline		93,617
Ice		1,545

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Lubricants	\$	15,330	
Propane Gas		542	
Small Tools		1,821	
Tires and Tubes		42,553	
Other Supplies and Materials		15,968	
Other Charges		887	
Total Operation and Maintenance of Equipment			\$ 687,481

Litter and Trash Collection

Educational Assistants	\$	8,541	
Other Salaries and Wages		25,951	
Handling Charges and Administrative Costs		2,134	
Instructional Supplies and Materials		6,730	
Library Books/Media		1,791	
Other Charges		7,081	
Total Litter and Trash Collection			52,228

Other Charges

Communication	\$	9,968	
Data Processing Services		1,746	
Dues and Memberships		3,014	
Evaluation and Testing		570	
Legal Notices, Recording, and Court Costs		758	
Maintenance Agreements		225	
Data Processing Supplies		397	
Utilities		15,019	
Water and Sewer		652	
Premiums on Corporate Surety Bonds		800	
Trustee's Commission		51,491	
Vehicle and Equipment Insurance		18,800	
Workers' Compensation Insurance		129,745	
Other Self-Insured Claims		945	
Other Charges		902	
Total Other Charges			235,032

Employee Benefits

Salary Supplements	\$	20,086	
Social Security		81,300	
State Retirement		94,535	
Medical Insurance		314,323	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits (Cont.)

Unemployment Compensation	\$ 14,612	
Employer Medicare	18,536	
Total Employee Benefits		\$ 543,392

Capital Outlay

Engineering Services	\$ 29,198	
Bridge Construction	71,205	
Building Improvements	925	
Highway Construction	964,955	
Highway Equipment	107,400	
Motor Vehicles	18,957	
Office Equipment	1,938	
Plant Operation Equipment	7,483	
State Aid Projects	212,029	
Other Construction	20,355	
Total Capital Outlay		1,434,445

Principal on Debt

Highways and Streets

Principal on Other Loans	\$ 450,000	
Total Highways and Streets		450,000

Interest on Debt

Highways and Streets

Interest on Other Loans	\$ 6,467	
Total Highways and Streets		6,467

Other Debt Service

Highways and Streets

Other Debt Service	\$ 5,132	
Total Highways and Streets		5,132

Total Highway/Public Works Fund \$ 5,230,132

General Debt Service Fund

Other Operations

Other Charges

Trustee's Commission	\$ 12,120	
Total Other Charges		\$ 12,120

(Continued)

Exhibit J-7

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

General Debt Service Fund (Cont.)

Principal on Debt

General Government

Principal on Notes	\$ 512,866	
Principal on Other Loans	359,998	
Total General Government		\$ 872,864

Education

Principal on Bonds	\$ 872,438	
Principal on Notes	71,410	
Principal on Other Loans	208,600	
Total Education		1,152,448

Interest on Debt

General Government

Interest on Notes	\$ 53,850	
Interest on Other Loans	1,385	
Total General Government		55,235

Education

Interest on Bonds	\$ 744,782	
Interest on Other Loans	4,887	
Total Education		749,669

Other Debt Service

General Government

Bank Charges	\$ 2,842	
Total General Government		2,842

Education

Bank Charges	\$ 6,612	
Total Education		6,612

Total General Debt Service Fund \$ 2,851,790

General Capital Projects Fund

Capital Projects

General Administration Projects

Airport Improvement	\$ 23,279
Building Improvements	31,292
Data Processing Equipment	18,605
Furniture and Fixtures	1,500
Heating and Air Conditioning Equipment	5,080

(Continued)

Exhibit J-7

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

General Capital Projects Fund (Cont.)

Capital Projects (Cont.)

General Administration Projects (Cont.)

Law Enforcement Equipment	\$	31,588	
Motor Vehicles		87,563	
Other Construction		<u>52,389</u>	
Total General Administration Projects	\$		251,296

Other General Government Projects

Airport Improvement	\$	9,232	
Other Construction		<u>79,979</u>	
Total Other General Government Projects			<u>89,211</u>

Total General Capital Projects Fund \$ 340,507

Total Governmental Funds - Primary Government \$ 20,307,778

Exhibit J-8

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 6,511,852	
Career Ladder Program	56,120	
Career Ladder Extended Contracts	53,795	
Homebound Teachers	41,007	
Educational Assistants	239,664	
Other Salaries and Wages	56,298	
Certified Substitute Teachers	34,584	
Non-certified Substitute Teachers	72,454	
Social Security	411,740	
State Retirement	613,339	
Medical Insurance	1,106,629	
Employer Medicare	98,017	
Other Fringe Benefits	5,224	
Maintenance and Repair Services - Equipment	8,886	
Other Contracted Services	69,174	
Instructional Supplies and Materials	163,319	
Textbooks	332	
Other Supplies and Materials	59,843	
Other Charges	94,510	
Regular Instruction Equipment	440,201	
Total Regular Instruction Program		\$ 10,136,988

Alternative Instruction Program

Teachers	\$ 94,962	
Educational Assistants	12,942	
Certified Substitute Teachers	102	
Non-certified Substitute Teachers	832	
Social Security	6,591	
State Retirement	9,607	
Medical Insurance	13,024	
Employer Medicare	1,542	
Instructional Supplies and Materials	1,277	
Total Alternative Instruction Program		140,879

Special Education Program

Teachers	\$ 885,099
Career Ladder Program	7,505
Career Ladder Extended Contracts	8,180
Homebound Teachers	20,050

(Continued)

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Educational Assistants	\$	135,631	
Speech Pathologist		135,538	
Other Salaries and Wages		33,960	
Certified Substitute Teachers		4,176	
Non-certified Substitute Teachers		13,461	
Social Security		73,683	
State Retirement		108,050	
Medical Insurance		152,888	
Employer Medicare		17,287	
Other Fringe Benefits		1,680	
Total Special Education Program			\$ 1,597,188

Vocational Education Program

Teachers	\$	597,502	
Career Ladder Program		1,000	
Certified Substitute Teachers		1,190	
Non-certified Substitute Teachers		12,638	
Social Security		35,613	
State Retirement		54,192	
Medical Insurance		78,249	
Employer Medicare		8,350	
Other Fringe Benefits		480	
Maintenance and Repair Services - Equipment		779	
Instructional Supplies and Materials		31,219	
Textbooks		5,000	
Total Vocational Education Program			826,212

Adult Education Program

Teachers	\$	127,447	
Other Salaries and Wages		45,486	
Social Security		7,780	
State Retirement		3,562	
Medical Insurance		2,813	
Employer Medicare		2,483	
Other Fringe Benefits		180	
Communication		1,444	
Travel		778	
Other Contracted Services		9,391	
Instructional Supplies and Materials		18,510	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Adult Education Program (Cont.)

In Service/Staff Development	\$	4,972	
Other Charges		3,181	
Other Equipment		1,002	
Total Adult Education Program			\$ 229,029

Support Services

Attendance

Supervisor/Director	\$	70,157	
Career Ladder Program		1,800	
Other Salaries and Wages		36,889	
Social Security		4,509	
State Retirement		6,364	
Medical Insurance		11,394	
Employer Medicare		1,541	
Other Fringe Benefits		150	
Postal Charges		100	
Travel		2,071	
Other Contracted Services		33,060	
Other Supplies and Materials		525	
Total Attendance			168,560

Health Services

Medical Personnel	\$	159,415	
Other Salaries and Wages		46,918	
Social Security		12,392	
State Retirement		15,317	
Medical Insurance		16,881	
Employer Medicare		2,898	
Other Fringe Benefits		240	
Travel		10,225	
Other Contracted Services		3,279	
Drugs and Medical Supplies		7,467	
Other Supplies and Materials		46,120	
Total Health Services			321,152

Other Student Support

Career Ladder Program	\$	3,000	
Guidance Personnel		352,632	
Career Ladder Extended Contracts		5,000	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Social Workers	\$	46,920	
Secretary(ies)		25,975	
Social Security		25,749	
State Retirement		38,917	
Medical Insurance		45,154	
Employer Medicare		6,022	
Evaluation and Testing		14,877	
Travel		3,028	
Other Charges		15,397	
Total Other Student Support			\$ 582,671

Regular Instruction Program

Supervisor/Director	\$	170,040	
Career Ladder Program		8,000	
Career Ladder Extended Contracts		4,595	
Librarians		275,563	
Instructional Computer Personnel		67,729	
Secretary(ies)		26,657	
Clerical Personnel		28,187	
Other Salaries and Wages		63,011	
Social Security		37,463	
State Retirement		55,685	
Medical Insurance		68,354	
Employer Medicare		8,762	
Other Fringe Benefits		110	
Consultants		12,796	
Travel		12,916	
Library Books/Media		42,931	
Other Supplies and Materials		6,150	
In Service/Staff Development		27,005	
Other Charges		169	
Total Regular Instruction Program			916,123

Alternative Instruction Program

Supervisor/Director	\$	68,553	
Career Ladder Program		2,000	
Social Security		4,318	
State Retirement		6,385	
Medical Insurance		5,567	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Alternative Instruction Program (Cont.)

Employer Medicare	\$	1,010	
Other Fringe Benefits		30	
Communication		618	
Total Alternative Instruction Program			\$ 88,481

Special Education Program

Supervisor/Director	\$	63,816	
Career Ladder Program		1,000	
Secretary(ies)		26,910	
Social Security		5,206	
State Retirement		7,973	
Medical Insurance		14,488	
Employer Medicare		1,218	
Other Fringe Benefits		60	
Total Special Education Program			120,671

Vocational Education Program

Supervisor/Director	\$	37,406	
Career Ladder Program		1,000	
Social Security		2,362	
State Retirement		3,476	
Medical Insurance		2,729	
Employer Medicare		552	
Travel		10,326	
Total Vocational Education Program			57,851

Other Programs

On-Behalf Payments to OPEB	\$	171,552	
Total Other Programs			171,552

Board of Education

Secretary to Board	\$	5,589	
Other Salaries and Wages		12,892	
Board and Committee Members Fees		9,360	
Social Security		1,685	
State Retirement		1,448	
Unemployment Compensation		22,291	
Employer Medicare		394	
Audit Services		20,115	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Dues and Memberships	\$	5,417	
Legal Services		7,485	
Travel		5,055	
Other Contracted Services		2,099	
Liability Insurance		26,592	
Trustee's Commission		145,238	
Workers' Compensation Insurance		148,352	
Refund to Applicant for Criminal Investigation		1,920	
Other Charges		29,936	
Total Board of Education			\$ 445,868

Director of Schools

County Official/Administrative Officer	\$	135,200	
Career Ladder Program		1,000	
Clerical Personnel		29,411	
Social Security		8,605	
State Retirement		14,629	
Medical Insurance		5,523	
Employer Medicare		2,385	
Other Fringe Benefits		175	
Communication		9,999	
Dues and Memberships		2,844	
Postal Charges		6,733	
Travel		4,505	
Other Contracted Services		2,373	
Office Supplies		9,946	
Other Charges		3,514	
Administration Equipment		832	
Total Director of Schools			237,674

Office of the Principal

Principals	\$	453,766	
Career Ladder Program		8,000	
Accountants/Bookkeepers		24,614	
Career Ladder Extended Contracts		12,000	
Assistant Principals		278,917	
Secretary(ies)		133,036	
Clerical Personnel		20,505	
Social Security		55,436	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

State Retirement	\$	82,067	
Medical Insurance		79,548	
Employer Medicare		12,965	
Other Fringe Benefits		600	
Communication		23,140	
Dues and Memberships		5,693	
Travel		2,088	
Office Supplies		6,372	
Other Charges		11,175	
Total Office of the Principal			\$ 1,209,922

Fiscal Services

Accountants/Bookkeepers	\$	79,430	
Secretary(ies)		47,613	
Other Salaries and Wages		9,169	
Social Security		8,195	
State Retirement		10,570	
Medical Insurance		4,220	
Employer Medicare		1,916	
Dues and Memberships		85	
Travel		1,113	
Other Contracted Services		7,375	
Office Supplies		279	
Total Fiscal Services			169,965

Operation of Plant

Other Contracted Services	\$	569,799	
Electricity		614,205	
Natural Gas		75,442	
Water and Sewer		79,623	
Other Supplies and Materials		209	
Boiler Insurance		6,078	
Building and Contents Insurance		110,738	
Total Operation of Plant			1,456,094

Maintenance of Plant

Supervisor/Director	\$	60,660	
Secretary(ies)		11,853	
Maintenance Personnel		176,009	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Social Security	\$	14,897	
State Retirement		18,615	
Medical Insurance		15,972	
Employer Medicare		3,556	
Other Fringe Benefits		270	
Communication		601	
Laundry Service		4,612	
Other Contracted Services		64,689	
Other Supplies and Materials		208,085	
Maintenance Equipment		47,065	
Total Maintenance of Plant			\$ 626,884

Transportation

Supervisor/Director	\$	48,363	
Mechanic(s)		111,096	
Bus Drivers		529,318	
Clerical Personnel		25,749	
Other Salaries and Wages		107	
In-Service Training		2,244	
Social Security		42,411	
State Retirement		50,367	
Medical Insurance		8,853	
Employer Medicare		10,273	
Other Fringe Benefits		485	
Communication		4,297	
Laundry Service		3,617	
Maintenance and Repair Services - Vehicles		8,591	
Medical and Dental Services		8,288	
Diesel Fuel		346,865	
Garage Supplies		856	
Gasoline		31,387	
Lubricants		11,694	
Tires and Tubes		48,698	
Vehicle Parts		76,538	
Other Supplies and Materials		7,083	
Vehicle and Equipment Insurance		34,190	
Other Charges		7,049	
Transportation Equipment		368,227	
Total Transportation			1,786,646

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services

Community Services

Other Salaries and Wages	\$ 144,618	
Social Security	8,521	
State Retirement	10,341	
Medical Insurance	4,220	
Employer Medicare	1,993	
Communication	3,824	
Travel	5,903	
Other Contracted Services	76,838	
Food Supplies	36,650	
Other Supplies and Materials	126,971	
Other Charges	33,403	
Total Community Services		\$ 453,282

Early Childhood Education

Teachers	\$ 119,914	
Educational Assistants	78,713	
Other Salaries and Wages	1,422	
Certified Substitute Teachers	3,391	
Non-certified Substitute Teachers	2,016	
Social Security	12,256	
State Retirement	16,286	
Medical Insurance	21,582	
Employer Medicare	2,868	
Travel	718	
Other Contracted Services	293	
Food Supplies	4,928	
Instructional Supplies and Materials	8,786	
Other Supplies and Materials	12,019	
Other Charges	256	
Total Early Childhood Education		285,448

Capital Outlay

Regular Capital Outlay

Building Improvements	\$ 294,079	
Total Regular Capital Outlay		294,079

Other Debt Service

Education

Contributions	\$ 1,688,630	
Total Education		<u>1,688,630</u>

Total General Purpose School Fund \$ 24,011,849

(Continued)

Exhibit J-8

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 983,490	
Educational Assistants	91,268	
Other Salaries and Wages	94,519	
Certified Substitute Teachers	1,870	
Non-certified Substitute Teachers	6,914	
Social Security	67,648	
State Retirement	103,264	
Medical Insurance	175,012	
Unemployment Compensation	1,197	
Employer Medicare	15,862	
Instructional Supplies and Materials	148,833	
Regular Instruction Equipment	50,207	
Total Regular Instruction Program		\$ 1,740,084

Special Education Program

Teachers	\$ 196,374	
Educational Assistants	215,277	
Other Salaries and Wages	2,650	
Certified Substitute Teachers	400	
Non-certified Substitute Teachers	174	
Social Security	24,295	
State Retirement	32,926	
Medical Insurance	62,464	
Unemployment Compensation	1,262	
Employer Medicare	5,708	
Maintenance and Repair Services - Equipment	1,323	
Instructional Supplies and Materials	32,918	
Special Education Equipment	30,828	
Total Special Education Program		606,599

Vocational Education Program

Other Salaries and Wages	\$ 18,041	
Social Security	1,094	
State Retirement	1,407	
Employer Medicare	256	
Instructional Supplies and Materials	19,472	
Vocational Instruction Equipment	18,859	
Total Vocational Education Program		59,129

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services

Health Services

Medical Personnel	\$	17,086	
Social Security		1,043	
State Retirement		770	
Medical Insurance		352	
Employer Medicare		244	
Total Health Services			\$ 19,495

Other Student Support

Other Salaries and Wages	\$	2,350	
Social Security		143	
State Retirement		213	
Employer Medicare		33	
Travel		17,612	
Other Supplies and Materials		3,924	
Other Charges		2,022	
Total Other Student Support			26,297

Regular Instruction Program

Supervisor/Director	\$	52,382	
Secretary(ies)		31,910	
In-Service Training		1,735	
Social Security		4,889	
State Retirement		7,330	
Medical Insurance		12,053	
Unemployment Compensation		126	
Employer Medicare		1,143	
Consultants		97,348	
Travel		9,197	
Other Supplies and Materials		1,561	
In Service/Staff Development		22,899	
Total Regular Instruction Program			242,573

Special Education Program

Psychological Personnel	\$	98,779	
Social Security		5,846	
State Retirement		8,940	
Medical Insurance		13,322	
Unemployment Compensation		120	
Employer Medicare		1,367	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Travel	\$	4,520	
Other Contracted Services		22,656	
In Service/Staff Development		375	
Total Special Education Program			\$ 155,925

Vocational Education Program

Travel	\$	457	
Other Supplies and Materials		150	
In Service/Staff Development		2,739	
Other Charges		550	
Total Vocational Education Program			3,896

Transportation

Bus Drivers	\$	17,378	
Social Security		1,077	
State Retirement		1,361	
Unemployment Compensation		45	
Employer Medicare		252	
Contracts with Parents		5,910	
Total Transportation			26,023

Total School Federal Projects Fund \$ 2,880,021

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	47,613
Accountants/Bookkeepers		24,614
Cafeteria Personnel		480,662
Social Security		32,622
State Retirement		38,489
Medical Insurance		30,270
Unemployment Compensation		2,348
Employer Medicare		7,746
Communication		1,702
Maintenance and Repair Services - Equipment		7,003
Travel		6,689
Other Contracted Services		48,170
Food Preparation Supplies		545

(Continued)

Exhibit J-8

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Food Supplies	\$ 959,657	
Uniforms	3,374	
USDA - Commodities	72,785	
Other Supplies and Materials	60,173	
In Service/Staff Development	2,253	
Other Charges	391	
Food Service Equipment	<u>7,729</u>	
Total Food Service		<u>\$ 1,834,835</u>

Total Central Cafeteria Fund \$ 1,834,835

Education Capital Projects Fund

Support Services

Maintenance of Plant

Other Supplies and Materials	\$ 10,670	
Total Maintenance of Plant		\$ 10,670

Capital Projects

Education Capital Projects

Building Construction	\$ 12,297	
Total Education Capital Projects		<u>12,297</u>

Total Education Capital Projects Fund 22,967

Total Governmental Funds - Henry County School Department \$ 28,749,672

Exhibit J-9

Henry County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balances - City Agency Funds
For the Year Ended June 30, 2012

	Cities - Sales Tax Fund	Special School District Fund	Total
<u>Cash Receipts</u>			
Current Property Tax	\$ 0	\$ 2,223,551	\$ 2,223,551
Trustee's Collections - Prior Year	0	110,330	110,330
Trustee's Collections - Bankruptcy	0	11,579	11,579
Circuit/Clerk and Master Collections - Prior Years	0	28,765	28,765
Interest and Penalty	0	17,871	17,871
Pick-up Taxes	0	2,917	2,917
Payments in-Lieu-of Taxes - T.V.A.	0	1,593	1,593
Payments in-Lieu-of Taxes - Local Utilities	0	34,960	34,960
Payments in-Lieu-of Taxes - Other	0	71,902	71,902
Local Option Sales Tax	3,493,323	1,378,499	4,871,822
Business Tax	0	59,555	59,555
Bank Excise Tax	0	33,457	33,457
Interstate Telecommunications Tax	0	615	615
City/School District Property Taxes:			
Current Property Tax	0	928,020	928,020
Prior Year's Property Tax	0	34,699	34,699
Interest and Penalty	0	6,196	6,196
Payments in-Lieu-of Taxes	0	25,022	25,022
Marriage Licenses	0	933	933
Income Tax	0	40,151	40,151
Mixed Drink Tax	0	6,432	6,432
Total Cash Receipts	<u>\$ 3,493,323</u>	<u>\$ 5,017,047</u>	<u>\$ 8,510,370</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 3,458,390	\$ 4,934,797	\$ 8,393,187
Trustee's Commission	34,933	80,615	115,548
Total Cash Disbursements	<u>\$ 3,493,323</u>	<u>\$ 5,015,412</u>	<u>\$ 8,508,735</u>
Excess of Cash Receipts Over (Under)			
Cash Disbursements	\$ 0	\$ 1,635	\$ 1,635
Cash Balance, July 1, 2011	0	193,155	193,155
Cash Balance, June 30, 2012	<u>\$ 0</u>	<u>\$ 194,790</u>	<u>\$ 194,790</u>

SINGLE AUDIT SECTION



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

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

November 27, 2012

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henry County, Tennessee, as of and for the year ended June 30, 2012, which collectively comprise Henry County's basic financial statements and have issued our report thereon dated November 27, 2012. Our report on the aggregate discretely presented component units financial statements was qualified due to not including the financial statements of the Henry County Emergency Communications District, which were not available from other auditors as of the date of this report. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Henry County Medical Center as described in our report on Henry County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting: 12.03, 12.06, and 12.07. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Henry County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items 12.01, 12.02, 12.04, and 12.05.

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

Henry County's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Henry County's response and, accordingly, we express no opinion on the response.

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

Very truly yours,

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

Justin P. Wilson
Comptroller of the Treasury

JPW/yu



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

INDEPENDENT AUDITOR'S REPORT

November 27, 2012

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited Henry County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Henry County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Henry County's management. Our responsibility is to express an opinion on Henry County's compliance based on our audit.

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

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

In our opinion, Henry County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

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

Schedule of Expenditures of Federal Awards

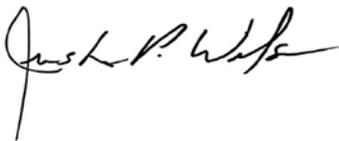
We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henry County as of and for the year ended June 30, 2012, and have issued our report thereon dated November 27, 2012. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Henry County Emergency Communications District, which were not available from other auditors as of the date of this report. Our audit was performed for the purpose of forming our opinions on the financial statements as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such

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

Henry County's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Henry County's response and, accordingly, we express no opinion on the response.

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

Very truly yours,

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

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

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

Federal/Pass Through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 329,709
National School Lunch Program	10.555	N/A	871,189 (6)
Child and Adult Care Food Program	10.558	(2)	41,986
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	72,785 (6)
Total U.S. Department of Agriculture			<u>\$ 1,315,669</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	(2)	\$ 187,376
Direct Program:			
Shelter Plus Care	14.238	TN0090C4J070802	296,841
Total U.S. Department of Housing and Urban Development			<u>\$ 484,217</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	GG-10-29739-00	\$ 9,000
Direct Program:			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	2009SBB90588	442
Total U.S. Department of Justice			<u>\$ 9,442</u>
U.S. Department of Labor:			
Passed-through State Department of Labor and Workforce Development:			
WIA Youth Activities	17.259	1-12-300-071-YTHP	\$ 11,314
Total U.S. Department of Labor			<u>\$ 11,314</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Airport Improvement Program	20.106	(3)	\$ 1,541,808
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	Z11GHS149	342
Alcohol Open Container Requirements	20.607	Z12GHS133	3,590
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	341010000006512	9,600
Total U.S. Department of Transportation			<u>\$ 1,555,340</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	(4)	\$ 196,161
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	882,728
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	728,895
Special Education - Preschool Grants	84.173	N/A	50,622
Special Education - Grants to States, Recovery Act	84.391	N/A	15,108
Career and Technical Education - Basic Grants to States	84.048	N/A	80,637
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	5
Rural Education	84.358	N/A	77,569
English Language Acquisition State Grants	84.365	N/A	2,175

(Continued)

Henry County, Tennessee

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

Federal/Pass Through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Education (Cont.):			
Passed-through State Department of Education (Cont.):			
Improving Teacher Quality State Grants	84.367	N/A	\$ 129,980
Education Technology State Grants, Recovery Act	84.386	N/A	2,113
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	171,636
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	N/A	60,490
Education Jobs Fund	84.410	N/A	751,785
Total U.S. Department of Education			<u>\$ 3,149,904</u>
U.S. Department of Health and Human Services:			
Passed-through Northwest Tennessee Development District:			
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	(2)	\$ 3,500
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	(2)	26,430
Passed-through Tennessee State University:			
Head Start	93.600	(2)	101,000
Total U.S. Department of Health and Human Services			<u>\$ 130,930</u>
U.S. Corporation for National and Community Service:			
Passed-through State Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	GG-10-29920	\$ 2,723
Total U.S. Corporation for National and Community Service			<u>\$ 2,723</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1979-DR-TN	\$ 176,881
Emergency Management Performance Grants	97.042	341010000007620	21,915
Homeland Security Grant Program	97.067	341010000002533	80,945
Total U.S. Department of Homeland Security			<u>\$ 279,741</u>
Total Federal Grants			<u>\$ 6,939,280</u>
<u>State Grants</u>			
		<u>Contract Number</u>	
Airport Maintenance Program - State Department of Transportation	N/A	(5)	\$ 14,072
Preventive Health and Human Services - State Department of Health	N/A	Z-12-43707-00	44,695
Optional Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-08-212946-02	20,434
Litter Grant - State Department of Transportation	N/A	(2)	55,817
Early Childhood Education - State Department of Education	N/A	(2)	266,658
Lottery for Education: Afterschool Programs - State Department of Education	N/A	119-11-01-022	185,324
Coordinated School Health - State Department of Education	N/A	(2)	129,025
Safe Schools Act - State Department of Education	N/A	(2)	15,333
Truancy Prevention Program - State Department of Children's Services	N/A	GG-12354-02	48,161
Energy Efficiency State Grant - State Department of Education	N/A	(2)	12,100
Total State Grants			<u>\$ 791,619</u>

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

(2) Information not available.

(3) DG-10-29290-00: \$182,647; DG-11-33041-00: \$1,359,161.

(4) DG-11-31220-00: \$31,134; DG-12-34579-00: \$165,027.

(5) DG-10-28727-00: \$164; DG-11-31518-00: \$13,908.

(6) Total for CFDA No. 10.555 is \$943,974.

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

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below is the finding from the Annual Financial Report for Henry County, Tennessee, for the year ended June 30, 2011, which has not been corrected.

OFFICES OF REGISTER AND SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.04	164	Duties were not segregated adequately

HENRY COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2012

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Henry County disclosed significant deficiencies in internal control. None of these deficiencies were considered to be material weaknesses.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of Henry County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), Airport Improvement Program (CFDA No. 20.106), and Education Jobs Fund (CFDA No. 84.410) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Henry County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 12.01 **EXPENDITURES EXCEEDED APPROPRIATIONS** (Noncompliance Under *Government Auditing Standards*)

Total expenditures exceeded total appropriations approved by the County Commission in the Central Cafeteria Fund by \$141,084. Section 5-9-401, *Tennessee Code Annotated*, states that "All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies." This deficiency exists because management failed to stay within the spending limits authorized by the County Commission, which resulted in unauthorized expenditures.

RECOMMENDATION

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

OFFICE OF GENERAL SESSIONS COURT CLERK

FINDING 12.02 **A CASH SHORTAGE OF \$29,291.10 EXISTED IN THE OFFICE AS OF AUGUST 19, 2011** (Noncompliance Under *Government Auditing Standards*)

On August 19, 2011, General Sessions Court Clerk Mike Wilson contacted our office after discovering certain funds received by mail had not been recorded by the bookkeeper. On August 22, 2011, auditors performed a cash count of the clerk's office. This cash count revealed that the bookkeeper's cash drawer was short by \$52.60. An examination of a bank deposit made by the office on August 17, 2011, revealed the composition of cash and checks posted in the records did not agree with the composition of cash and checks from bank deposit records. The compromised deposit contained checks that were not reflected in office records. On August 25, 2011, during an interview between the bookkeeper and auditors, the bookkeeper admitted taking cash from office funds and replacing this cash with checks received in the mail for civil cases that had not been recorded. As a result of this admission, auditors expanded the investigation to include the period January 1, 2007, through August 19, 2011. Our investigation determined that 224 deposits out of 832 deposits had been compromised during the period examined. During this period, the bookkeeper removed cash totaling \$29,238.50 and substituted checks totaling the same amount that had not been recorded. Therefore, the cash shortage totaled \$29,291.10 on August 19, 2011,

(\$29,238.50 plus \$52.60). On August 26, 2011, the clerk terminated the bookkeeper's employment with the office. This finding has been discussed with the district attorney general.

The table below details the cash shortage by calendar year:

Calendar Year	Cash Shortage	Deposits Made	Deposits Compromised
2007	\$ 2,966.00	91	16
2008	5,788.00	174	48
2009	7,415.50	203	57
2010	7,899.50	225	64
2011	5,169.50	139	39
Total Deposits		<u>832</u>	<u>224</u>
Deposit Shortage	\$ 29,238.50		
Cash Count Shortage, 8-22-11	<u>52.60</u>		
Total Cash Shortage	<u>\$ 29,291.10</u>		

Our examination disclosed several internal control weaknesses that allowed the cash shortage to occur and go undetected:

- A. The bookkeeper used a scheme known as substitution to manipulate transactions to remove monies from the office. Substitution occurs when a transaction is recorded and paid for with cash, and another transaction is paid with a check but is not recorded in the records. The employee removes the cash and substitutes the check payment for the payment that was made in cash.
- B. The bookkeeper altered the records of the office. The employee was able to go into the civil case adjustment ledger in the accounting system and zero out the filing fees that were assessed, which would then reflect a zero balance due by the litigant(s).
- C. The bookkeeper discarded and/or destroyed some check stubs that were attached to checks that were received in the mail but were not recorded. The office has a policy of retaining and filing all check stubs in the applicable case file. We were able to verify this noncompliance through the discovery of a batch of approximately 50 check stubs found in the bookkeeper's desk drawer, which were traced back to mail-in logs that were not recorded in the records, but were found in bank deposits where these checks were substituted for cash. In addition, there were several other checks received in the mail that were discovered in bank deposits that were not receipted; however, we could not locate any check stubs. We know that a majority of these mail-in checks that were not recorded had stubs attached since the checks made payable to the court came from the same law firms on behalf of their clients.

RECOMMENDATION

Officials should take immediate steps to liquidate the \$29,291.10 cash shortage. Management should review its computer application and recordkeeping procedures for collections to ensure and improve internal controls and accountability.

MANAGEMENT'S RESPONSE – GENERAL SESSIONS COURT CLERK

It is agreed the finding reveals a lengthy and serious history of theft and manipulation by a seasoned employee of the office serving as bookkeeper and civil deputy court clerk. Checks, accounting records, bank deposits, official receipts, and computerized records were altered, deleted, or manipulated to carry out the scheme used to disguise the unlawful activity. This employee's duties and responsibilities developed over a number of years and offered more exclusive involvement with the financial functions of the office than recommended. This theft stretching over five calendar years was discovered and stopped during my first year as clerk. Even though steps were already being taken to increase the internal controls of the office, the complex scheme continued. Only one employee acted to commit these acts, and no other employees or past clerks were implicated or found to be involved.

The various methods used to disguise and manipulate the receipting of certain payments, delay of bank deposits, and of altering electronic records outside the eye of co-workers, annual audits, and supervision by senior staff and clerks warranted adjustment to the existing office procedures. Due to the severity of the manipulation of our software, the vendor and state court oversight agency were immediately notified. All senior deputies and the clerk met with an auditor for further recommendations. After that meeting, a satisfactory plan was implemented regarding additional internal controls and segregation of duties. Many co-workers and court personnel are deeply saddened by the discovery of these acts of malfeasance. It is my personal commitment to work diligently to protect the reputation and integrity of the office, my employees, and the public arena we work within. I do appreciate the cooperation of my staff and the state auditors who assisted in this investigation. I take this event seriously and am equally discouraged and saddened by such a betrayal of trust. We will work with law enforcement and prosecutors to recover the funds taken during this act of theft and deceit by cooperating with any efforts sought to prosecute these acts and recovery of the monies taken.

FINDING 12.03

DUTIES WERE NOT SEGREGATED ADEQUATELY

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

Duties were not segregated adequately among the official and employees in the Office of General Sessions Court Clerk. The official and employees responsible for maintaining the accounting records were also involved in receipting, depositing, and/or disbursing funds. Accounting standards provide that internal controls be designed to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls

that increases the risk of unauthorized transactions. The clerk corrected this deficiency during the current audit period.

FINDING 12.04 **OFFICIAL PRENUMBERED RECEIPTS WERE NOT ISSUED FOR ALL COLLECTIONS**
(Noncompliance Under *Government Auditing Standards*)

Official prenumbered receipts were not issued for all collections. Section 9-2-103, *Tennessee Code Annotated*, requires that prenumbered receipts should be issued for all collections. Numerous collections received through the mail on civil cases were not recorded in the records.

RECOMMENDATION

Official prenumbered receipts should be issued for all collections.

FINDING 12.05 **THE OFFICE DID NOT DEPOSIT SOME FUNDS WITHIN THREE DAYS OF COLLECTION**
(Noncompliance Under *Government Auditing Standards*)

The general sessions court clerk did not deposit some funds within three days of collection. Section 5-8-207, *Tennessee Code Annotated*, requires county officials to deposit public funds to the office bank account within three days. Our examination of the mail-log revealed several instances where collections were held in the office for more than a month before being deposited into the office bank account. This deficiency existed as a result of the bookkeeper improperly manipulating transactions through the substitution scheme.

RECOMMENDATION

The general sessions court clerk should ensure that all funds are deposited to the office bank account within three days of collection as required by state statute.

OFFICE OF JUVENILE COURT CLERK

FINDING 12.06 **DEFICIENCIES WERE NOTED IN THE MAINTENANCE OF ACCOUNTING RECORDS**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Our examination revealed the following deficiencies in the maintenance of accounting records for the Office of Juvenile Court Clerk. These deficiencies are the result of a lack of management oversight and are considered significant deficiencies that increase the risk of

fraud and abuse and the risk that errors will not be discovered and corrected in a timely manner.

- A. A double-entry accounting system had not been implemented.
- B. Receipts were posted to the records only when a deposit was made, and checks that were written at the beginning of each month were posted to the previous month.
- C. The office maintains \$50 cash on hand; however, this amount was not reflected on the cash journal.
- D. The office maintained subsidiary ledgers for investment and short-term account activity; however, this activity was not reflected on the cash journal. An examination of the subsidiary ledgers revealed 13 short-term accounts totaling \$80,779 maintained on behalf of litigants, which had not been posted to the cash journal.

As a result of these deficiencies, the correct ending balances for each month were not reflected and the general ledger balances at June 30, 2012, were not accurate. Since these balances were not reflected, bank statements and subsidiary investment ledgers were not reconciled with cash journal general ledger accounts monthly. Operations and year-end balances were determined by substantive testing and alternative auditing procedures and have been correctly reflected in the financial statements of this report.

RECOMMENDATION

The Office of Juvenile Court Clerk should properly maintain a cash journal that accurately reflects all financial activity of the office. The general ledger accounts should be reconciled with bank statements and subsidiary investment ledgers monthly.

MANAGEMENT'S RESPONSE – JUVENILE COURT CLERK

Upon notification of the accounting deficiencies in the Office of Juvenile Court Clerk, we promptly made the recommended changes beginning July 2012. This deficiency is a result of a delay on our part as we anticipated having a new software program in place by this time to manage these records by automation and that we would not be keeping up with it manually. The transition to new software is still underway, and we will continue to account for these records manually until the new program is fully installed.

OFFICES OF REGISTER AND SHERIFF

FINDING 12.07 **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 Register and Sheriff. Officials and employees responsible for maintaining accounting records were also involved in receipting, depositing, posting, and/or disbursing funds. Accounting standards provide that internal controls be designed to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, 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 PRACTICES

The Division of Local Government Audit strongly believes that the following items are best practices that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of Henry County.

ITEM 1. **HENRY COUNTY SHOULD ADOPT A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING**

Henry County does not have a central system of accounting, budgeting, and purchasing. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort. We recommend the adoption of the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

ITEM 2. **HENRY COUNTY SHOULD ESTABLISH AN AUDIT COMMITTEE**

Henry County does not have an Audit Committee. An Audit Committee can 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. County officials should establish an Audit Committee as a best practice.

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

There were no findings and questioned costs for federal awards.

**HENRY COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2012**

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