

ANNUAL FINANCIAL REPORT
HENDERSON COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2016



DIVISION OF LOCAL GOVERNMENT AUDIT



**ANNUAL FINANCIAL REPORT
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FOR THE YEAR ENDED JUNE 30, 2016**

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

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

***LEE ANN WEST, CPA, CGFM
Audit Manager***

***VICKY BARBER, CFE
BETHANY GRAVES
State Auditors***

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

HENDERSON COUNTY, TENNESSEE

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Summary of Audit Findings

Annual Financial Report
Henderson County, Tennessee
For the Year Ended June 30, 2016

Scope

We have audited the basic financial statements of Henderson County as of and for the year ended June 30, 2016.

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICE OF FINANCE DIRECTOR

- ◆ The General and General Purpose School funds required material audit adjustments for proper financial statement presentation.
 - ◆ Designated situs-based taxes were inadequate to fund rural fire protection.
-

OFFICE OF ASSESSOR OF PROPERTY

- ◆ The assessor did not adequately perform visual inspections.
-

OFFICE OF CIRCUIT COURT CLERK

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

OFFICE OF SHERIFF

- ◆ An employee improperly used a county fuel card for personal gain.
-

OFFICES OF FINANCE DIRECTOR, COUNTY CLERK, AND SHERIFF

- ◆ Duties were not segregated adequately.

INTRODUCTORY SECTION

Henderson County Officials

June 30, 2016

Officials

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

Board of County Commissioners

Dan Hughes, County Mayor, Chairman
Celia Barrow
Todd Beecham
Daniel Clark
Jeff James
Mack Maness
Susan Montgomery
Tommy Page

Wanda Powers
Timothy Rogers
Joe Ross
Larry Don Stanfill
Harold Tyler
Aaron Wood
Roy Woods

Board of Education

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

Financial Management Committee

Dan Hughes, County Mayor, Chairman
Celia Barrow
Todd Beecham
Centras Forney
Steve Vineyard, Road Supervisor
Steve Wilkinson, Director of Schools
Aaron Wood

Audit Committee

Tommy Page, Chairman
Aaron Wood
John Wood

FINANCIAL SECTION



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

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

To the County Mayor and Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henderson County, Tennessee, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henderson County, Tennessee, as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparisons for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note V.B., Henderson County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68 and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*; and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to these matters.

Emphasis of Matter

We draw attention to Note I.D.8 to the financial statements, which describes a prior-period adjustment decreasing the discretely presented Henderson County School Department's net position by \$1,338,286. This adjustment was necessary because a portion of the prior-year construction in progress should have been removed.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the schedule of changes in the county's net pension liability (asset) and related ratios, schedules of county and school contributions, schedule of school's proportionate share of the net pension asset, and schedule of funding progress - other postemployment benefits plans, etc. on pages 80-90 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Henderson County School Department (a discretely presented component unit), and miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information

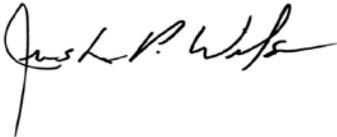
directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the additional procedures described above, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Henderson County School Department (a discretely presented component unit), and miscellaneous schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2016, on our consideration of Henderson County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Henderson County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

October 27, 2016

JPW/kp

BASIC FINANCIAL STATEMENTS

Exhibit A

Henderson County, Tennessee
Statement of Net Position
June 30, 2016

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Henderson County School Department</u>
<u>ASSETS</u>		
Cash	\$ 157,146	\$ 0
Equity in Pooled Cash and Investments	8,174,659	6,756,605
Accounts Receivable	205,160	2,646
Due from Other Governments	1,166,937	649,410
Due from Component Units	1,436,810	0
Property Taxes Receivable	6,485,756	3,582,370
Allowance for Uncollectible Property Taxes	(114,784)	(63,815)
Net Pension Asset - Agent Plan	1,206,876	870,363
Net Pension Asset - Teacher Retirement Plan	0	11,512
Capital Assets:		
Assets Not Depreciated:		
Land	2,527,826	1,151,661
Construction in Progress	522,078	721,999
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	13,322,552	17,238,976
Infrastructure	922,628	79,271
Other Capital Assets	1,235,017	774,818
Total Assets	<u>\$ 37,248,661</u>	<u>\$ 31,775,816</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Charge on Refunding	\$ 669,213	\$ 0
Pension Changes in Experience	47,056	157,227
Pension Other Deferrals	0	164,650
Pension Contributions after Measurement Date	449,914	1,633,090
Total Deferred Outflows of Resources	<u>\$ 1,166,183</u>	<u>\$ 1,954,967</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 154,350	\$ 15,637
Payroll Deductions Payable	0	625
Accrued Interest Payable	188,552	0
Due to Primary Government	0	1,436,810
Noncurrent Liabilities:		
Due Within One Year	2,460,494	0
Due in More Than One Year	24,549,139	1,124,583
Total Liabilities	<u>\$ 27,352,535</u>	<u>\$ 2,577,655</u>

(Continued)

Exhibit A

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

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Henderson County School Department</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Current Property Taxes	\$ 6,146,483	\$ 3,392,852
Pension Changes in Experience	38,832	3,747
Pension Changes in Investment Earnings	83,551	1,035,133
Pension Other Deferrals	<u>0</u>	<u>2,391,224</u>
Total Deferred Inflows of Resources	<u>\$ 6,268,866</u>	<u>\$ 6,822,956</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	\$ 2,973,146	\$ 19,966,725
Restricted for:		
General Government	30,289	0
Finance	9,532	0
Administration of Justice	236,413	0
Public Safety	188,040	0
Public Health and Welfare	172,927	0
Highway/Public Works	1,534,144	0
Debt Service	2,286,343	0
Other Purposes	1,206,876	0
Education	0	1,132,190
Operation of Non-instructional Services	0	589,746
Unrestricted	<u>(3,844,267)</u>	<u>2,641,511</u>
Total Net Position	<u>\$ 4,793,443</u>	<u>\$ 24,330,172</u>

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

Exhibit B

Henderson County, Tennessee
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component Unit
					Government	Henderson County School Department
					Total Governmental Activities	
Primary Government:						
Governmental Activities:						
General Government	\$ 1,574,747	\$ 145,654	\$ 310,067	\$ 0	\$ (1,119,026)	\$ 0
Finance	1,157,668	694,823	300	0	(462,545)	0
Administration of Justice	1,140,387	1,131,851	18,978	0	10,442	0
Public Safety	5,636,568	1,663,554	70,935	0	(3,902,079)	0
Public Health and Welfare	690,243	51,461	89,727	0	(549,055)	0
Social, Cultural, and Recreational Services	89,916	0	0	41,251	(48,665)	0
Agriculture and Natural Resources	51,150	0	3,000	0	(48,150)	0
Highways	3,696,642	1,566	2,139,592	1,188,089	(367,395)	0
Interest on Long-term Debt	1,089,087	0	745,542	0	(343,545)	0
Total Primary Government	\$ 15,126,408	\$ 3,688,909	\$ 3,378,141	\$ 1,229,340	\$ (6,830,018)	\$ 0
Component Unit:						
Henderson County School Department	\$ 34,101,511	\$ 852,515	\$ 4,202,163	\$ 0	\$ 0	\$ (29,046,833)
Total Component Unit	\$ 34,101,511	\$ 852,515	\$ 4,202,163	\$ 0	\$ 0	\$ (29,046,833)

(Continued)

Exhibit B

Henderson County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component Unit
					Government	Henderson County School Department
				Total Governmental Activities		
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes					\$ 5,095,913	\$ 3,089,022
Property Taxes Levied for Debt Service					1,131,784	0
Local Option Sales Taxes					355,277	3,023,737
Hotel/Motel Tax					156,638	0
Wheel Tax					938,002	166,882
Litigation Taxes					230,378	0
Business Tax					377,553	0
Wholesale Beer Tax					82,788	0
Other Local Taxes					12,505	5,748
Grants and Contributions Not Restricted to Specific Programs					222,568	21,696,167
Unrestricted Investment Income					89,926	8,647
Miscellaneous					272,437	86,478
Total General Revenues					<u>\$ 8,965,769</u>	<u>\$ 28,076,681</u>
Change in Net Position					\$ 2,135,751	\$ (970,152)
Net Position, July 1, 2015					2,657,692	26,638,610
Prior-period Adjustment - See Note I.D.8					0	(1,338,286)
Net Position, June 30, 2016					<u>\$ 4,793,443</u>	<u>\$ 24,330,172</u>

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

Exhibit C-1

Henderson County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2016

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 157,146	\$ 157,146
Equity in Pooled Cash and Investments	3,854,277	1,125,873	2,234,531	953,795	8,168,476
Accounts Receivable	163,593	58	8,657	32,852	205,160
Due from Other Governments	571,815	583,226	0	11,896	1,166,937
Due from Other Funds	316	6,183	0	0	6,499
Property Taxes Receivable	4,653,369	241,553	1,124,677	466,157	6,485,756
Allowance for Uncollectible Property Taxes	(81,970)	(4,284)	(20,260)	(8,270)	(114,784)
Total Assets	<u>\$ 9,161,400</u>	<u>\$ 1,952,609</u>	<u>\$ 3,347,605</u>	<u>\$ 1,613,576</u>	<u>\$ 16,075,190</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 154,350	\$ 0	\$ 0	\$ 0	\$ 154,350
Due to Other Funds	0	0	0	316	316
Total Liabilities	<u>\$ 154,350</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 316</u>	<u>\$ 154,666</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 4,411,913	\$ 228,867	\$ 1,064,030	\$ 441,673	\$ 6,146,483
Deferred Delinquent Property Taxes	135,079	7,116	34,206	13,733	190,134
Other Deferred/Unavailable Revenue	249,321	415,682	0	6,030	671,033
Total Deferred Inflows of Resources	<u>\$ 4,796,313</u>	<u>\$ 651,665</u>	<u>\$ 1,098,236</u>	<u>\$ 461,436</u>	<u>\$ 7,007,650</u>
<u>FUND BALANCES</u>					
Restricted:					
Restricted for General Government	\$ 30,289	\$ 0	\$ 0	\$ 0	\$ 30,289

(Continued)

Exhibit C-1

Henderson County, Tennessee
Balance Sheet
Governmental Funds (Cont.)

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds	
<u>FUND BALANCES (Cont.)</u>					
Restricted (Cont.):					
Restricted for Finance	\$ 9,532	\$ 0	\$ 0	\$ 0	\$ 9,532
Restricted for Administration of Justice	236,413	0	0	0	236,413
Restricted for Public Safety	115,164	0	0	72,876	188,040
Restricted for Public Health and Welfare	114,004	0	0	39,190	153,194
Restricted for Highways/Public Works	0	1,121,791	0	0	1,121,791
Restricted for Debt Service	0	0	1,666,497	103,899	1,770,396
Committed:					
Committed for General Government	265,000	0	0	0	265,000
Committed for Finance	0	0	0	48,614	48,614
Committed for Administration of Justice	0	0	0	140,955	140,955
Committed for Public Health and Welfare	0	0	0	267,209	267,209
Committed for Other Operations	210,171	0	0	0	210,171
Committed for Highways/Public Works	0	179,153	0	0	179,153
Committed for Debt Service	0	0	582,872	479,081	1,061,953
Unassigned	3,230,164	0	0	0	3,230,164
Total Fund Balances	\$ 4,210,737	\$ 1,300,944	\$ 2,249,369	\$ 1,151,824	\$ 8,912,874
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 9,161,400	\$ 1,952,609	\$ 3,347,605	\$ 1,613,576	\$ 16,075,190

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

Exhibit C-2

Henderson County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2016

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$ 8,912,874
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 2,527,826	
Add: construction in progress	522,078	
Add: buildings and improvements net of accumulated depreciation	13,322,552	
Add: infrastructure net of accumulated depreciation	922,628	
Add: other capital assets net of accumulated depreciation	<u>1,235,017</u>	18,530,101
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: note payable	\$ (140,000)	
Less: other loan payable	(1,436,810)	
Add: debt to be contributed by the School Department	1,436,810	
Less: bonds payable	(24,375,000)	
Add: deferred amount on refunding	669,213	
Add: deferred charges - discount on debt issued	4,106	
Less: compensated absences payable	(128,247)	
Less: landfill closure/postclosure care costs	(85,428)	
Less: other postemployment benefits liability	(195,796)	
Less: accrued interest on note and bonds	(188,552)	
Less: other deferred revenue - premium on debt	(288,112)	
Less: net pension liability - Henderson County Judges, Officials, and Executives Agent Plan	<u>(364,346)</u>	(25,092,162)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.		
Add: deferred outflows of resources related to pensions	\$ 496,970	
Less: deferred inflows of resources related to pensions	<u>(122,383)</u>	374,587
(4) Net pension assets of the agent plan are not current financial resources and therefore are not reported in the governmental funds.		
Add: net pension asset - Henderson County Employees Agent Plan		1,206,876
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>861,167</u>
Net position of governmental activities (Exhibit A)		<u>\$ 4,793,443</u>

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

Exhibit C-3

Henderson County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 5,376,247	\$ 238,183	\$ 2,083,110	\$ 800,272	\$ 8,497,812
Licenses and Permits	1,045	0	0	0	1,045
Fines, Forfeitures, and Penalties	461,063	0	0	38,450	499,513
Charges for Current Services	93,296	0	0	525,407	618,703
Other Local Revenues	468,933	13,084	25,306	33,725	541,048
Fees Received From County Officials	930,137	0	0	0	930,137
State of Tennessee	1,536,379	3,084,316	0	0	4,620,695
Federal Government	125,793	0	0	0	125,793
Other Governments and Citizens Groups	387,984	0	104,208	692,060	1,184,252
Total Revenues	\$ 9,380,877	\$ 3,335,583	\$ 2,212,624	\$ 2,089,914	\$ 17,018,998
<u>Expenditures</u>					
Current:					
General Government	\$ 2,199,212	\$ 0	\$ 0	\$ 0	\$ 2,199,212
Finance	602,960	0	0	593,886	1,196,846
Administration of Justice	490,390	0	0	440,239	930,629
Public Safety	5,294,702	0	0	51,960	5,346,662
Public Health and Welfare	134,302	0	0	553,456	687,758
Social, Cultural, and Recreational Services	89,468	0	0	0	89,468
Agriculture and Natural Resources	109,896	0	0	0	109,896
Other Operations	647,266	0	0	0	647,266
Highways	0	3,653,883	0	0	3,653,883
Debt Service:					
Principal on Debt	70,000	0	1,982,572	560,000	2,612,572
Interest on Debt	6,300	0	678,522	132,060	816,882
Other Debt Service	0	0	34,704	5,180	39,884
Total Expenditures	\$ 9,644,496	\$ 3,653,883	\$ 2,695,798	\$ 2,336,781	\$ 18,330,958

(Continued)

Exhibit C-3

Henderson County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds (Cont.)

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
Excess (Deficiency) of Revenues Over Expenditures	\$ (263,619)	\$ (318,300)	\$ (483,174)	\$ (246,867)	\$ (1,311,960)
<u>Other Financing Sources (Uses)</u>					
Insurance Recovery	\$ 7,085	\$ 3,011	\$ 0	\$ 0	\$ 10,096
Transfers In	410,000	0	0	0	410,000
Transfers Out	0	0	0	(410,000)	(410,000)
Total Other Financing Sources (Uses)	\$ 417,085	\$ 3,011	\$ 0	\$ (410,000)	\$ 10,096
Net Change in Fund Balances	\$ 153,466	\$ (315,289)	\$ (483,174)	\$ (656,867)	\$ (1,301,864)
Fund Balance, July 1, 2015	4,057,271	1,616,233	2,732,543	1,808,691	10,214,738
Fund Balance, June 30, 2016	\$ 4,210,737	\$ 1,300,944	\$ 2,249,369	\$ 1,151,824	\$ 8,912,874

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

Exhibit C-4

Henderson County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016

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) \$ (1,301,864)

- (1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:

Add: capital assets purchased in the current period	\$ 1,339,227	
Less: current-year depreciation expense	<u>(1,066,568)</u>	272,659

- (2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Add: deferred delinquent property taxes and other deferred June 30, 2016	\$ 861,167	
Less: deferred delinquent property taxes and other deferred June 30, 2015	<u>(567,280)</u>	293,887

- (3) The issuance of long-term debt (e.g., bonds, notes and other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Add: change in premium on debt issuances	\$ 31,846	
Less: change in discount on debt issued	(873)	
Less: change in deferred amount on refunding debt	(262,650)	
Add: principal payments on bonds	2,460,000	
Add: principal payments on note	70,000	
Add: principal payments on other loan	82,572	
Less: contributions from the School Department for the other loan	<u>(82,572)</u>	2,298,323

- (4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Change in accrued interest payable	\$ (9,555)	
Change in landfill closure/postclosure care costs	2,487	
Change in compensated absences payable	(10,328)	
Change in other postemployment benefits liability	(25,031)	
Change in net pension asset - Henderson County Employees agent plan	276,182	
Change in net pension liability - Henderson County Judges, Officials, and Executives Agent Plan	(22,218)	
Change in deferred outflows related to pensions	43,411	
Change in deferred inflows related to pensions	<u>317,798</u>	<u>572,746</u>

Change in net position of governmental activities (Exhibit B) \$ 2,135,751

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

Exhibit C-5

Henderson County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2016

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 5,376,247	\$ 5,021,740	\$ 5,174,955	\$ 201,292
Licenses and Permits	1,045	1,500	1,500	(455)
Fines, Forfeitures, and Penalties	461,063	416,000	430,000	31,063
Charges for Current Services	93,296	72,300	88,300	4,996
Other Local Revenues	468,933	199,500	246,500	222,433
Fees Received From County Officials	930,137	673,200	686,850	243,287
State of Tennessee	1,536,379	1,758,304	2,675,188	(1,138,809)
Federal Government	125,793	32,000	32,000	93,793
Other Governments and Citizens Groups	387,984	358,000	451,250	(63,266)
Total Revenues	\$ 9,380,877	\$ 8,532,544	\$ 9,786,543	\$ (405,666)
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 105,812	\$ 111,710	\$ 111,710	\$ 5,898
Board of Equalization	1,300	1,500	1,500	200
County Mayor/Executive	128,997	133,876	134,181	5,184
County Attorney	9,227	9,895	9,895	668
Election Commission	169,438	170,609	180,414	10,976
Register of Deeds	144,589	148,518	158,518	13,929
County Buildings	1,639,849	819,150	1,818,675	178,826
<u>Finance</u>				
Accounting and Budgeting	285,614	292,005	297,305	11,691
Property Assessor's Office	246,350	261,808	263,808	17,458
County Trustee's Office	27,769	36,800	36,800	9,031
County Clerk's Office	43,227	36,600	49,750	6,523
<u>Administration of Justice</u>				
Circuit Court	37,874	42,018	42,018	4,144
General Sessions Court	229,617	225,168	236,368	6,751
Drug Court	9,278	10,000	10,000	722
Chancery Court	168,790	194,912	199,842	31,052
Juvenile Court	44,831	57,021	57,326	12,495
<u>Public Safety</u>				
Sheriff's Department	1,856,179	2,071,768	2,050,863	194,684
Administration of the Sexual Offender Registry	1,500	3,800	3,800	2,300
Workhouse	2,041,257	2,054,050	2,110,955	69,698
Fire Prevention and Control	662,194	675,938	969,998	307,804
Civil Defense	142,548	118,284	158,748	16,200
Rescue Squad	15,000	15,000	15,000	0
County Coroner/Medical Examiner	41,275	58,015	58,015	16,740
Other Public Safety	534,749	483,440	554,690	19,941
<u>Public Health and Welfare</u>				
Local Health Center	92,918	142,980	215,480	122,562
Alcohol and Drug Programs	7,500	10,500	10,500	3,000
Other Local Health Services	7,000	7,000	7,000	0
Appropriation to State	3,075	12,300	12,300	9,225
Aid to Dependent Children	0	700	700	700
Waste Pickup	23,809	48,784	48,784	24,975

(Continued)

Exhibit C-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Social, Cultural, and Recreational Services</u>				
Adult Activities	\$ 5,807	\$ 5,808	\$ 5,808	\$ 1
Senior Citizens Assistance	17,500	17,500	17,500	0
Libraries	44,000	44,000	44,000	0
Other Social, Cultural, and Recreational	22,161	27,700	27,700	5,539
<u>Agriculture and Natural Resources</u>				
Agricultural Extension Service	70,286	68,698	70,698	412
Soil Conservation	19,272	20,124	20,874	1,602
Flood Control	20,338	22,500	22,500	2,162
<u>Other Operations</u>				
Tourism	16,174	14,550	17,050	876
Industrial Development	2,050	15,950	15,950	13,900
Veterans' Services	68,605	72,645	72,950	4,345
Other Charges	331,000	331,000	331,000	0
Employee Benefits	17,300	21,000	27,300	10,000
Miscellaneous	212,137	185,820	224,520	12,383
<u>Principal on Debt</u>				
General Government	70,000	70,000	140,000	70,000
<u>Interest on Debt</u>				
General Government	6,300	6,300	9,450	3,150
Total Expenditures	\$ 9,644,496	\$ 9,177,744	\$ 10,872,243	\$ 1,227,747
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (263,619)	\$ (645,200)	\$ (1,085,700)	\$ 822,081
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 7,085	\$ 0	\$ 0	\$ 7,085
Transfers In	410,000	75,200	463,200	(53,200)
Total Other Financing Sources	\$ 417,085	\$ 75,200	\$ 463,200	\$ (46,115)
Net Change in Fund Balance				
Fund Balance, July 1, 2015	\$ 4,057,271	\$ 1,890,626	\$ 1,890,626	\$ 2,166,645
Fund Balance, June 30, 2016	\$ 4,210,737	\$ 1,320,626	\$ 1,268,126	\$ 2,942,611

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

Exhibit C-6

Henderson County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2016

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 238,183	\$ 228,557	\$ 483,207	\$ (245,024)
Other Local Revenues	13,084	0	0	13,084
State of Tennessee	3,084,316	2,748,011	4,148,011	(1,063,695)
Federal Government	0	135,000	135,000	(135,000)
Total Revenues	<u>\$ 3,335,583</u>	<u>\$ 3,111,568</u>	<u>\$ 4,766,218</u>	<u>\$ (1,430,635)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 167,171	\$ 178,628	\$ 190,028	\$ 22,857
Highway and Bridge Maintenance	1,415,524	1,519,940	1,660,690	245,166
Operation and Maintenance of Equipment	369,803	732,500	742,500	372,697
Other Charges	151,097	158,500	181,000	29,903
Employee Benefits	23,164	51,000	51,000	27,836
Capital Outlay	1,527,124	471,000	1,941,000	413,876
Total Expenditures	<u>\$ 3,653,883</u>	<u>\$ 3,111,568</u>	<u>\$ 4,766,218</u>	<u>\$ 1,112,335</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (318,300)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (318,300)</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 3,011	\$ 0	\$ 0	\$ 3,011
Total Other Financing Sources	<u>\$ 3,011</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,011</u>
Net Change in Fund Balance	\$ (315,289)	\$ 0	\$ 0	\$ (315,289)
Fund Balance, July 1, 2015	<u>1,616,233</u>	<u>1,569,038</u>	<u>1,569,038</u>	<u>47,195</u>
Fund Balance, June 30, 2016	<u>\$ 1,300,944</u>	<u>\$ 1,569,038</u>	<u>\$ 1,569,038</u>	<u>\$ (268,094)</u>

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

Exhibit D

Henderson County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2016

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,478,612
Equity in Pooled Cash and Investments	65,072
Accounts Receivable	2,456
Due from Other Governments	702,554
Taxes Receivable	448,288
Allowance for Uncollectible Taxes	<u>(8,060)</u>
Total Assets	<u>\$ 2,688,922</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 1,207,965
Due to Litigants, Heirs, and Others	<u>1,480,957</u>
Total Liabilities	<u>\$ 2,688,922</u>

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

HENDERSON COUNTY, TENNESSEE

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HENDERSON COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

Henderson County is a public municipal corporation governed by an elected 14-member board. As required by GAAP, these financial statements present Henderson County (the primary government) and its component units. The financial statements of the Henderson County Emergency Communications District, a component unit requiring discrete presentation, were excluded from this report due to materiality calculations; therefore, the effect of this omission is not material to the aggregate discretely presented component units' opinion unit and will not affect our opinion thereon. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

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

The Henderson County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Henderson County, and the Henderson County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval. The financial statements of the Henderson County Emergency Communications District were not material to the component units' opinion unit and therefore have been omitted from this report.

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

Administrative Office:

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

B. Government-wide and Fund Financial Statements

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

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

Henderson County issues all debt for the discretely presented Henderson County School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2016.

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

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

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

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

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

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

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

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

Henderson County reports the following major governmental funds:

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

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

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

Additionally, Henderson County reports the following fund type:

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

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

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

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

Additionally, Henderson County reports the following fund type:

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

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

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

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Henderson County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General and General Debt Service funds. Henderson County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at amortized cost using a Stable Net Asset Value. 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 .93 percent of total taxes levied.

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

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet as a deferred inflow of resources to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

3. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$10,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated

capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

4. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position. These items are for the deferred charge on refunding and for pension changes in experience, pension changes in proportionate share of contributions, as well as employer contributions made to the pension plan after the measurement date.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These items are from the following sources: current and delinquent property taxes, pension changes in experience and investment earnings, pension changes in proportionate share of contributions, and various receivables for revenues, which do

not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

5. Compensated Absences

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

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

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Debt premiums and discounts are deferred and amortized over the life of the new debt using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

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

extent that the liabilities have matured (come due for payment) each period.

7. Net Position and Fund Balance

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

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

As of June 30, 2016, Henderson County had \$10,562,560 in outstanding debt for capital purposes for the discretely presented Henderson County School Department. In accordance with state statutes, certain county school debt proceeds must be shared with other public school systems in the county (City of Lexington School System) based on an average daily attendance proration. This debt is a liability of Henderson County, but the capital assets acquired are reported in the financial statements of the School Department and the City of Lexington School System. Therefore, Henderson County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

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

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

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

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

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the County Commission, the county’s highest level of decision-making authority and the Board of Education, the School Department’s highest level of decision-making authority, and shall remain binding unless removed in the same manner.

Assigned Fund Balance – includes amounts that are constrained by the county’s intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The County Commission has by resolution authorized the county’s Finance Committee to make assignments for the general government. The Board of Education makes assignments for the School Department.

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

8. Prior-period Adjustment

Capital assets of the discretely presented Henderson County School Department were restated (\$1,338,286) from the prior year because prior-year construction in progress was not removed.

E. Pension Plans

Primary Government

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Henderson County’s participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from

Henderson County’s fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

Discretely Presented Henderson County School Department

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement Plan and the Teacher Legacy Pension Plan in the Tennessee Consolidated Retirement System, and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Retirement Plan and the Teacher Legacy Pension Plan. Investments are reported at fair value.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Henderson County School Department

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

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

Primary Government

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

Discretely Presented Henderson County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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 School Department's Education Capital Projects Fund, which adopts project length budgets. All annual appropriations lapse at fiscal year end.

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

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

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

At June 30, 2016, the Henderson County School Department reported significant encumbrances of \$388,310 for a school addition.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Henderson County and the Henderson County School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as

Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net position represents nonpooled amounts held separately by individual funds.

Deposits

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

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

Investments

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

The county had no pooled and nonpooled investments as of June 30, 2016.

B. Capital Assets

Capital assets activity for the year ended June 30, 2016, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-15	Increases	Decreases	Balance 6-30-16
Capital Assets				
Not Depreciated:				
Land	\$ 2,127,209	\$ 400,617	\$ 0	\$ 2,527,826
Construction in Progress	0	522,078	0	522,078
Total Capital Assets				
Not Depreciated	<u>\$ 2,127,209</u>	<u>\$ 922,695</u>	<u>\$ 0</u>	<u>\$ 3,049,904</u>
Capital Assets Depreciated:				
Buildings and				
Improvements	\$ 18,050,847	\$ 222,060	\$ 0	\$ 18,272,907
Infrastructure	2,401,635	0	0	2,401,635
Other Capital Assets	6,227,754	194,472	22,304	6,399,922
Total Capital Assets				
Depreciated	<u>\$ 26,680,236</u>	<u>\$ 416,532</u>	<u>\$ 22,304</u>	<u>\$ 27,074,464</u>
Less Accumulated				
Depreciation For:				
Buildings and				
Improvements	\$ 4,292,589	\$ 657,766	\$ 0	\$ 4,950,355
Infrastructure	1,377,826	101,181	0	1,479,007
Other Capital Assets	4,879,588	307,621	22,304	5,164,905
Total Accumulated				
Depreciation	<u>\$ 10,550,003</u>	<u>\$ 1,066,568</u>	<u>\$ 22,304</u>	<u>\$ 11,594,267</u>
Total Capital Assets				
Depreciated, Net	<u>\$ 16,130,233</u>	<u>\$ (650,036)</u>	<u>\$ 0</u>	<u>\$ 15,480,197</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 18,257,442</u>	<u>\$ 272,659</u>	<u>\$ 0</u>	<u>\$ 18,530,101</u>

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

Governmental Activities:

General Government	\$ 44,605
Administration of Justice	148,810
Public Safety	685,921
Public Health and Welfare	42,937
Social, Cultural, and Recreational Services	448
Highway/Public Works	<u>143,847</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 1,066,568</u></u>

Discretely Presented Henderson County School Department

Governmental Activities:

	*Restated			
	Balance		Balance	
	7-1-15	Increases	Decreases	6-30-16
Capital Assets Not Depreciated:				
Land	\$ 1,151,661	\$ 0	\$ 0	\$ 1,151,661
Construction in Progress	1,817,544	721,999	1,817,544	721,999
Total Capital Assets Not Depreciated	<u>\$ 2,969,205</u>	<u>\$ 721,999</u>	<u>\$ 1,817,544</u>	<u>\$ 1,873,660</u>
Capital Assets Depreciated:				
Building and Improvements	\$ 43,003,981	\$ 2,004,047	\$ 0	\$ 45,008,028
Infrastructure	99,606	0	0	99,606
Other Capital Assets	1,795,109	395,270	0	2,190,379
Total Capital Assets Depreciated	<u>\$ 44,898,696</u>	<u>\$ 2,399,317</u>	<u>\$ 0</u>	<u>\$ 47,298,013</u>
Less Accumulated Depreciation For:				
Building and Improvements	\$ 26,520,280	\$ 1,248,772	\$ 0	\$ 27,769,052
Infrastructure	15,355	4,980	0	20,335
Other Capital Assets	1,165,151	250,410	0	1,415,561
Total Accumulated Depreciation	<u>\$ 27,700,786</u>	<u>\$ 1,504,162</u>	<u>\$ 0</u>	<u>\$ 29,204,948</u>
Total Capital Assets Depreciated, Net	<u>\$ 17,197,910</u>	<u>\$ 895,155</u>	<u>\$ 0</u>	<u>\$ 18,093,065</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 20,167,115</u></u>	<u><u>\$ 1,617,154</u></u>	<u><u>\$ 1,817,544</u></u>	<u><u>\$ 19,966,725</u></u>

*See footnote I.D.8 for prior-period adjustment.

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

Governmental Activities:

Instruction	\$ 1,010,302
Support Services	336,435
Operation of Noninstructional Services	<u>157,425</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 1,504,162</u></u>

C. Committed Construction

At June 30, 2016, the discretely presented School Department’s General Purpose School Fund had uncompleted construction contracts of \$388,310 for a school addition. Funding for these future expenditures is expected to be provided from available fund balance.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2016, was as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government		
General	Nonmajor governmental	\$ 316
Highway/Public Works	General	6,183
Discretely Presented School Department:		
Nonmajor governmental	General Purpose School	8,512

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.

The receivable in the Highway/Public Works Fund totaling \$6,183 was in transit from the General Fund at June 30, 2016.

Due to/from Primary Government and Component Unit:

Receivable Fund	Payable Fund	Amount
	Component Unit:	
Primary Government:	School Department:	
Governmental Activities	Governmental Activities	\$ 1,436,810

The Due to the Primary Government from the School Department is the balance of the other loan payable issued by the county for the School Department. The School Department has agreed to contribute the funds necessary to retire the debt.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2016, consisted of the following amounts:

Primary Government

Transfer Out	Transfer In General Fund
Nonmajor governmental fund	\$ 410,000
Total	\$ 410,000

Discretely Presented Henderson County School Department

Transfer Out	Transfer In General Purpose School Fund
Nonmajor governmental fund	\$ 7,071
Total	\$ 7,071

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

E. Long-term Obligations

Primary Government

General Obligation Bonds, Notes, and Other Loan

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, the capital outlay note, and the other loan outstanding were issued for original terms of up to 20 years for bonds, up to eight years for the note, and up to 21 years for the other loan. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, the note, and the other loan included in long-term debt as of June 30, 2016, will be retired from the General, General Debt Service, and Rural Debt Service funds.

General obligation bonds, the capital outlay note, and the other loan outstanding as of June 30, 2016, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-16
General Obligation Bonds	1.75 to 4.75%	4-1-29	\$ 19,900,000	\$ 11,930,000
General Obligation Bonds - Refunding	1 to 5	4-1-29	21,485,000	12,445,000
Capital Outlay Note	3	4-1-18	405,000	140,000
Other Loan	1.38	12-31-31	1,800,582	1,436,810

In prior years, Henderson County entered into an agreement with the State of Tennessee to receive funding from the state revolving loan fund program. Under this agreement, the program loaned \$1,800,582 to the Henderson County School Department for wastewater facility improvements at four elementary schools. The loan is repayable at a 1.38 percent interest rate. In addition, the county pays an administrative fee in connection with this loan.

The annual requirements to amortize all general obligation bonds, the note, and the other loan outstanding as of June 30, 2016, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2017	\$ 2,200,000	\$ 750,048	\$ 2,950,048
2018	1,945,000	667,924	2,612,924
2019	2,110,000	608,398	2,718,398
2020	2,095,000	543,674	2,638,674
2021	1,835,000	477,573	2,312,573
2022-2026	9,285,000	1,549,888	10,834,888
2027-2029	4,905,000	320,952	5,225,952
Total	<u>\$ 24,375,000</u>	<u>\$ 4,918,457</u>	<u>\$ 29,293,457</u>

Year Ending June 30	Note		
	Principal	Interest	Total
2017	\$ 70,000	\$ 4,200	\$ 74,200
2018	70,000	2,100	72,100
Total	<u>\$ 140,000</u>	<u>\$ 6,300</u>	<u>\$ 146,300</u>

Year Ending June 30	Other Loan			
	Principal	Interest	Other Fees	Total
2017	\$ 83,724	\$ 19,296	\$ 1,152	\$ 104,172
2018	84,876	18,144	1,080	104,100
2019	86,064	16,956	1,020	104,040
2020	87,252	15,768	948	103,968
2021	88,464	14,556	876	103,896
2022-2026	461,124	53,976	3,300	518,400
2027-2031	494,040	21,060	1,392	516,492
2032	51,266	135	16	51,417
Total	<u>\$ 1,436,810</u>	<u>\$ 159,891</u>	<u>\$ 9,784</u>	<u>\$ 1,606,485</u>

There is \$2,832,349 available in the debt service funds to service long-term debt. Debt per capita, including bonds, the note, and the other loan totaled \$935, based on the 2010 federal census.

The School Department is currently contributing funds to service some of the debt issued on its behalf by the primary government as noted in the table below. This debt is reflected in the government-wide financial statements as Due to the Primary Government in the financial statements of the School Department and as Due from Component Units in the financial statements of the primary government.

<u>Description of Indebtedness</u>	<u>Outstanding 6-30-16</u>
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Other Loan

<u>Contributions from the General Purpose School Fund</u>	
Clean Water State Revolving Fund	\$ 1,436,810

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2016, was as follows:

Governmental Activities:

	<u>Bonds</u>	<u>Note</u>	<u>Other Loan</u>
Balance, July 1, 2015	\$ 26,835,000	\$ 210,000	\$ 1,519,382
Reductions	(2,460,000)	(70,000)	(82,572)
Balance, June 30, 2016	<u>\$ 24,375,000</u>	<u>\$ 140,000</u>	<u>\$ 1,436,810</u>
Balance Due Within One Year	<u>\$ 2,200,000</u>	<u>\$ 70,000</u>	<u>\$ 83,724</u>

	<u>Compensated Absences</u>	<u>Landfill Postclosure Care Costs</u>	<u>Other Postemployment Benefits</u>
Balance, July 1, 2015	\$ 117,919	\$ 87,915	\$ 170,765
Additions	185,075	0	27,975
Reductions	(174,747)	(2,487)	(2,944)
Balance, June 30, 2016	<u>\$ 128,247</u>	<u>\$ 85,428</u>	<u>\$ 195,796</u>
Balance Due Within One Year	<u>\$ 100,604</u>	<u>\$ 6,166</u>	<u>\$ 0</u>

	<u>Net Pension Liability</u>
Balance, July 1, 2015	\$ 342,128
Additions	246,092
Reductions	(223,874)
Balance, June 30, 2016	<u>\$ 364,346</u>
Balance Due Within One Year	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2016	\$ 26,725,627
Less: Balance Due Within One Year	(2,460,494)
Less: Deferred Discount on Debt	(4,106)
Add: Unamortized Premium on Debt	<u>288,112</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u><u>\$ 24,549,139</u></u>

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

Defeasance of Prior Debt

In the prior year, Henderson County defeased certain outstanding general obligation bonds by placing the proceeds of new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds until they are called on April 1, 2018. The trustee is empowered and required to pay all principal and interest on the defeased bonds as originally scheduled. Accordingly, the trust accounts and the defeased bonds are not included in the county's financial statements. At June 30, 2016, the following outstanding bonds are considered defeased:

	<u>Amount</u>
General Obligation Bonds, Series 2008	\$ 6,600,000

Discretely Presented Henderson County School Department

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Henderson County School Department for the year ended June 30, 2016, was as follows:

Governmental Activities:

	Other Postemployment Benefits	Net Pension Liability - Teacher Legacy Pension Plan*
Balance, July 1, 2015	\$ 916,935	\$ (59,749)
Additions	219,862	5,201,063
Reductions	(165,841)	(4,987,687)
Balance, June 30, 2016	<u>\$ 970,956</u>	<u>\$ 153,627</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 0</u>

*At July 1, 2015, the teacher legacy pension plan had a net pension asset.

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

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2016	\$ 1,224,583
Less: Balance Due Within One Year	<u>0</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 1,224,583</u>

F. On-Behalf Payments – Primary Government and Discretely Presented Henderson County School Department

Primary Government

The State of Tennessee pays health insurance premiums for retired employees on-behalf of Henderson County. These payments are made by the state to the Medicare Supplement Plan. This plan is administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Medicare Supplement Plan for the year ended June 30, 2016, were \$300. The county has recognized these on-behalf payments as revenues and expenditures in the General Fund.

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Henderson County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2016, were

\$73,412 and \$35,250, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. OTHER INFORMATION

A. Risk Management

Liability, Property, Casualty, and Workers' Compensation Insurance

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

Employee Health Insurance

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

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

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*; Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68 and Amendments to Certain*

Provisions of GASB Statements No. 67 and No. 68; Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments; and Statement No. 79, Certain External Investment Pools and Pool Participants became effective for the year ended June 30, 2016.

GASB Statement No. 72, establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. This standard supersedes previous statements as they relate to measuring fair value of certain assets and liabilities.

GASB Statement No. 73, established accounting and reporting requirements for pensions that are not administered through a trust account and also addresses changes made to Statements No. 67 and No. 68. The changes to Statements No. 67 and No. 68 require new RSI disclosures concerning plan investments and address specific payables to defined benefit plans.

GASB Statement No. 76, addresses changes made to the hierarchy of generally accepted accounting principles. This standard supersedes Statement No. 55 and reduces the hierarchy from four to two categories.

GASB Statement No. 79, addresses issues related to certain external investment pools and pool participants because of changes in Security and Exchange rules relative to money market funds. This standard establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost rather than fair value for financial reporting purposes.

C. Subsequent Event

Finance Director, Jennifer Fesmire, resigned June 30, 2016, and was succeeded by Lee Wilkinson effective July 1, 2016.

D. Contingent Liabilities

The attorneys for the county and the School Department advised that there were no pending lawsuits, unasserted claims, or assessments that would materially affect the county or School Department's financial statements.

E. Landfill Closure/Postclosure Care Costs

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

State and federal laws and regulations require the city and county to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Henderson County and the City of Lexington closed their sanitary landfill in 1997. The \$85,428 reported as postclosure care liability at June 30, 2016, represents the county's 50 percent share of the amounts based on what it would cost to perform all postclosure care in 2016. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

F. Joint Ventures

The Beech River Regional Airport was established through a joint operations agreement between Decatur County, Henderson County, the City of Parsons, and the City of Lexington. The agreement created the Beech River Regional Airport Board to plan, develop, and maintain a regional airport that will economically benefit all residents of the two-county area. The board comprises nine members, two from each governmental unit and one appointed by the governmental entities on a one-year rotation basis. Each participant retains a 25 percent ownership in the airport; however, participants do not retain an equity interest in the airport. During the year ended June 30, 2016, the county appropriated an operating subsidy of \$73,816 to the airport.

The Everett Horn Public Library is a joint venture between Henderson County and the City of Lexington. It is operated by an appointed seven-member board. The library is jointly funded by the county and the City of Lexington with additional revenues received from private contributions. During the year ended June 30, 2016, the county contributed \$44,000 to the library.

Complete financial statements for the Beech River Regional Airport and the Everett Horn Public Library can be obtained from their administrative offices at the following addresses:

Administrative Offices:

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

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

G. Retirement Commitments

Tennessee Consolidated Retirement System (TCRS)

Primary Government

General Information About the Pension Plan

Plan Description. Most employees of Henderson County and non-certified employees of the discretely presented Henderson County School Department are provided a defined benefit pension plan (Henderson County Employees Plan) through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 58.1 percent and the non-certified employees of the discretely presented School Department comprise 41.9 percent of the Henderson County Employees Plan based on contribution data. In addition, certain county employees are provided a defined benefit pension plan (Henderson County Judges, Officials, and Executives Agent Plan) through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 100 percent of the Henderson County Judges, Officials, and Executives Agent Plan based on contribution data. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available to vested members at age 55. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria.

Employees Covered by Benefit Terms. At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

Henderson County Employees:

Inactive Employees or Beneficiaries Currently Receiving Benefits	72
Inactive Employees Entitled to But Not Yet Receiving Benefits	229
Active Employees	<u>304</u>
Total	<u><u>605</u></u>

Henderson County Judges, Officials, and Executives:

Inactive Employees or Beneficiaries Currently Receiving Benefits	4
Inactive Employees Entitled to But Not Yet Receiving Benefits	2
Active Employees	<u>11</u>
Total	<u><u>17</u></u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. The Henderson County Employees Plan and the Henderson County Judges, Officials, and Executives Agent Plan make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, the Actuarial Determined Contribution (ADC) for the Henderson County Employees Agent Plan was \$641,398 based on a rate of 8.47 percent of covered payroll and the Henderson County Judges, Officials, and Executives Agent Plan was \$70,139 based on a rate of 8.37 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Henderson County's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Henderson County's net pension liability (asset) was measured as of June 30, 2015, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability as of the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation

Mortality rates were based on actual experience from the June 30, 2012, actuarial experience study, adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity Developed Market	6.46 %	33 %
International Equity Emerging Market	6.26	17
International Equity Private Equity and Strategic Lending	6.40	5
U.S. Fixed Income	4.61	8
Real Estate	0.98	29
Short-term Securities	4.73	7
	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from Henderson County will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

Henderson County Employees:	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance, July 1, 2014	\$ 9,221,374	\$ 11,266,405	\$ (2,045,031)
Changes for the year:			
Service Cost	\$ 543,125	\$ 0	\$ 543,125
Interest	718,253	0	718,253
Differences Between Expected and Actual Experience	67,018	0	67,018
Contributions-Employer	0	641,398	(641,398)
Contributions-Employees	0	378,628	(378,628)
Net Investment Income	0	355,817	(355,817)
Benefit Payments, Including Refunds of Employee Contributions	(375,581)	(375,581)	0
Administrative Expense	0	(15,239)	15,239
Net Changes	\$ 952,815	\$ 985,023	\$ (32,208)
Balance, June 30, 2015	\$ 10,174,189	\$ 12,251,428	\$ (2,077,239)

Henderson County Judges,
Officials, and Executives:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, July 1, 2014	\$ 2,386,791	\$ 2,044,663	\$ 342,128
Changes for the year:			
Service Cost	\$ 64,449	\$ 0	\$ 64,449
Interest	181,085	0	181,085
Differences Between Expected and Actual Experience	(48,277)	0	(48,277)
Contributions-Employer	0	70,139	(70,139)
Contributions-Employees	0	41,899	(41,899)
Net Investment Income	0	63,559	(63,559)
Benefit Payments, Including Refunds of Employee Contributions	(73,537)	(73,537)	0
Administrative Expense	0	(558)	558
Net Changes	\$ 123,720	\$ 101,502	\$ 22,218
Balance, June 30, 2015	\$ 2,510,511	\$ 2,146,165	\$ 364,346

Allocation of Agent Plan Changes in the Net Pension Liability (Asset)
Henderson County Employees

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	58.10%	\$ 5,911,204	\$ 7,118,080	\$ (1,206,876)
School Department	41.90%	4,262,985	5,133,348	(870,363)
Total		\$ 10,174,189	\$ 12,251,428	\$ (2,077,239)

Allocation of Agent Plan Changes in the Net Pension Liability (Asset)
Henderson County Judges, Officials, and Executives

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	100.00%	\$ 2,510,511	\$ 2,146,165	\$ 364,346

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of Henderson County calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it was calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Henderson County Employees:	6.5%	7.5%	8.5%
Net Pension Liability	\$ (733,091)	\$ (2,077,239)	\$ (3,187,416)

	1% Decrease	Current Discount Rate	1% Increase
Henderson County Judges, Officials, and Executives:	6.5%	7.5%	8.5%
Net Pension Liability	\$ 644,822	\$ 364,346	\$ 124,511

Pension Expense (Negative Pension Expense) and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

Negative Pension Expense. For the year ended June 30, 2016, the Henderson County Employees Agent Plan recognized negative pension expense of \$25,650.

Pension Expense. For the year ended June 30, 2016, the Henderson County Judges, Officials, and Executives Agent Plan recognized pension expense of \$26,194.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2016, Henderson County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Henderson County Employees:	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 80,991	\$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	410,207	515,696
Contributions Subsequent to the Measurement Date of June 30, 2015 (1)	<u>669,619</u>	<u>N/A</u>
Total	<u>\$ 1,160,817</u>	<u>\$ 515,696</u>

Henderson County Judges, Officials, and Executives:	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 0	\$ 38,832
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	72,971	95,233
Contributions Subsequent to the Measurement Date of June 30, 2015 (1)	<u>70,303</u>	<u>N/A</u>
Total	<u>\$ 143,274</u>	<u>\$ 134,065</u>

(1) The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2015,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Allocation of Agent Plan Deferred Outflows of Resources and
Deferred Inflows of Resources

Henderson County Employees

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government	\$ 664,997	\$ 299,619
School Department	495,820	216,077
Total	<u>\$ 1,160,817</u>	<u>\$ 515,696</u>

Allocation of Agent Plan Deferred Outflows of Resources and
Deferred Inflows of Resources

Henderson County Judges, Officials,
and Executives

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government	\$ 143,274	\$ 134,065

Amounts reported as deferred outflows of resources, with the exception of contributions subsequent to the measurement date, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Henderson County Employees

Year Ending June 30	Amount
2017	\$ (55,063)
2018	(55,063)
2019	(55,063)
2020	116,835
2021	14,283
Thereafter	9,573

Henderson County Judges,
Officials, and Executives

Year Ending	Amount
June 30	
2017	\$ (23,226)
2018	(23,226)
2019	(23,226)
2020	8,584
2021	0
Thereafter	0

In the tables shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Discretely Presented Henderson County School Department

Non-certified Employees

General Information About the Pension Plan

Plan Description. As noted above under the primary government, employees of Henderson County and non-certified employees of the discretely presented Henderson County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 58.1 percent and the non-certified employees of the discretely presented School Department comprise 41.9 percent of the plan based on contribution data.

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

Plan Description. Teachers of the Henderson County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014, are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and

administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members are eligible to retire with an unreduced benefit at age 65 with five years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available to vested members at age 60 or pursuant to the rule of 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. Members who leave employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2016, to the Teacher Retirement Plan were \$44,420, which is four percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned

by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities (Assets). At June 30, 2016, the Henderson County School Department reported an asset of \$11,512 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Henderson County School Department’s proportion of the net pension asset was based on the Henderson County School Department’s share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2015, the Henderson County School Department’s proportion was .286152 percent.

Pension Expense. For the year ended June 30, 2016, the Henderson County School Department recognized pension expense of \$15,087.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2016, the Henderson County School Department reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>Resources</u>	<u>Resources</u>
Difference Between Expected and Actual Experience	\$ 0	\$ 3,747
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	930	0
LEAs Contributions Subsequent to the Measurement Date of June 30, 2015	<u>\$ 44,420</u>	<u>N/A</u>
Total	<u>\$ 45,350</u>	<u>\$ 3,747</u>

The Henderson County School Department’s employer contributions of \$44,420 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2017	\$ (80)
2018	(80)
2019	(80)
2020	(80)
2021	(312)
Thereafter	(2,185)

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial Assumptions. The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates are customized based on the June 30, 2012, actuarial experience study and some included adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market

projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity Developed Market	6.46 %	33 %
International Equity Emerging Market	6.26	17
International Equity Private Equity and Strategic Lending	6.40	5
U.S. Fixed Income	4.61	8
Real Estate	0.98	29
Short-term Securities	4.73	7
	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the Henderson County School Department’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the Henderson County School Department’s proportionate share of the net pension liability (asset)

would be if it was calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability	\$ 2,041	\$ (11,512)	\$ (21,452)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

Teacher Legacy Pension Plan

General Information About the Pension Plan

Plan Description. Teachers of the Henderson County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available to vested members at age 55. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are

entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Henderson County School Department for the year ended June 30, 2016, to the Teacher Legacy Pension Plan were \$1,298,662, which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Assets. At June 30, 2016, the Henderson County School Department reported a liability of \$153,627 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The Henderson County School Department's proportion of the net pension liability (asset) was based on the Henderson County School Department's long-term share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2015, the Henderson County School Department's proportion was .375034 percent. The proportion measured at June 30, 2014, was .367698 percent.

Negative Pension Expense. For the year ended June 30, 2016, the Henderson County School Department recognized a negative pension expense of \$96,769.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2016, the Henderson County School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 123,292	\$ 2,391,224
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,774,019	3,765,882
Changes in Proportion of Net Pension Liability (Asset)	164,650	0
LEAs Contributions Subsequent to the Measurement Date of June 30, 2015	<u>1,298,662</u>	<u>N/A</u>
Total	<u>\$ 4,360,623</u>	<u>\$ 6,157,106</u>

The Henderson County School Department's employer contributions of \$1,298,662 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2017	\$ (982,446)
2018	(982,446)
2019	(982,446)
2020	272,848
2021	(420,655)
Thereafter	0

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial Assumptions. The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates are customized based on the June 30, 2012, actuarial experience study and some included adjustments for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity Developed Market	6.46 %	33 %
International Equity Emerging Market	6.26	17
International Equity Private Equity and Strategic Lending	6.40	5
U.S. Fixed Income Real Estate	4.61	8
	0.98	29
	4.73	7
Short-term Securities	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the four factors described above.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the Henderson County School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the Henderson County School Department's proportionate share of the net pension liability (asset) would be if it was calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
---	------------------------	-------------------------------------	------------------------

Net Pension Liability \$ 10,473,758 \$ 153,627 \$ (8,390,225)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in a separately issued TCRS financial report.

H. Other Postemployment Benefits (OPEB)

Plan Description

Henderson County and the School Department participate in the state-administered Local Education Group Insurance Plan and Local Government Group Insurance Plan for health care benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated (TCA)*, for local education employees, and Section 8-27-207, *TCA* for local governments. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization plan for health care 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/article/fa-accfin-cafr>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop a contribution policy in terms of subsidizing active employees or retired employees’ premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year ended June 30, 2016, Henderson County and the discretely presented School Department contributed \$2,944 and \$165,841, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 220,000	\$ 28,000
Interest on the NOPEBO	34,385	6,404
Adjustment to the ARC	(34,523)	(6,429)
Annual OPEB cost	\$ 219,862	\$ 27,975
Less: Amount of contribution	(165,841)	(2,944)
Increase/Decrease in NOPEBO	\$ 54,021	\$ 25,031
Net OPEB obligation, 7-1-15	916,935	170,765
Net OPEB obligation, 6-30-16	\$ 970,956	\$ 195,796

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-14	Local Education Group	\$ 168,856	72	\$ 876,784
6-30-15	"	174,903	77	916,935
6-30-16	"	219,862	75	970,956
6-30-14	Local Government Group	8,167	18	168,399
6-30-15	"	8,174	71	170,765
6-30-16	"	27,975	11	195,796

Funding Status and Funding Progress

The funded status of the plan as of July 1, 2015, was as follows:

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-15	7-1-15
Actuarial accrued liability (AAL)	\$ 2,168,000	\$ 170,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 2,168,000	\$ 170,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 17,316,136	\$ 5,540,573
UAAL as a % of covered payroll	13%	3%

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

Actuarial Methods and Assumptions

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

In the July 1, 2015, actuarial valuation for the Local Government Plan and the Local Education Plan, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.75 percent investment rate of return (net of administrative expenses) and an annual health care cost trend rate of 6.5 percent initially. The trend rate will decrease to six percent in 2016, and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2050. Both rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007. Payroll is assumed to grow at a rate of three percent.

I. Office of Central Accounting, Budgeting, and Purchasing

Office of Director of Finance

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

J. Purchasing Law

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

Management Committee has also established that competitive bids are required to be solicited through newspaper advertisement on all purchases estimated to exceed \$25,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Henderson County, Tennessee
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on
Participation in the Public Employee Pension Plan of TCRS
Primary Government - Henderson County Employees
For the Fiscal Year Ended June 30

	2014	2015
Total Pension Liability (Asset)		
Service Cost	\$ 478,864	\$ 543,125
Interest	652,941	718,253
Differences Between Actual and Expected Experience	32,965	67,018
Benefit Payments, Including Refunds of Employee Contributions	(340,827)	(375,581)
Net Change in Total Pension Liability (Asset)	\$ 823,943	\$ 952,815
Total Pension Liability (Asset), Beginning	8,397,431	9,221,374
Total Pension Liability (Asset), Ending (a)	\$ 9,221,374	\$ 10,174,189
Plan Fiduciary Net Position		
Contributions - Employer	\$ 614,892	\$ 641,398
Contributions - Employee	349,768	378,628
Net Investment Income	1,564,166	355,817
Benefit Payments, Including Refunds of Employee Contributions	(340,827)	(375,581)
Administrative Expense	(10,654)	(15,239)
Net Change in Plan Fiduciary Net Position	\$ 2,177,345	\$ 985,023
Plan Fiduciary Net Position, Beginning	9,089,060	11,266,405
Plan Fiduciary Net Position, Ending (b)	\$ 11,266,405	\$ 12,251,428
Net Pension Liability (Asset), Ending (a - b)	\$ (2,045,031)	\$ (2,077,239)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	122.18%	120.42%
Covered Employee Payroll	\$ 6,995,362	\$ 7,570,158
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	29.23%	27.44%

Note: ten years of data will be presented when available.

Note: data presented includes primary government and the discretely presented non-certified employees of the School Department.

Exhibit E-2

Henderson County, Tennessee
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on
Participation in the Public Employee Pension Plan of TCRS
Primary Government - Henderson County Judges, Officials, and Executives
For the Fiscal Year Ended June 30

	2014	2015
Total Pension Liability (Asset)		
Service Cost	\$ 62,155	\$ 64,449
Interest	169,073	181,085
Differences Between Actual and Expected Experience	(350)	(48,277)
Benefit Payments, Including Refunds of Employee Contributions	(72,479)	(73,537)
Net Change in Total Pension Liability (Asset)	\$ 158,399	123,720
Total Pension Liability (Asset), Beginning	2,228,392	2,386,791
Total Pension Liability (Asset), Ending (a)	\$ 2,386,791	\$ 2,510,511
Plan Fiduciary Net Position		
Contributions - Employer	\$ 45,045	70,139
Contributions - Employee	40,654	41,899
Net Investment Income	289,854	63,559
Benefit Payments, Including Refunds of Employee Contributions	(72,479)	(73,537)
Administrative Expense	(493)	(558)
Net Change in Plan Fiduciary Net Position	\$ 302,581	\$ 101,502
Plan Fiduciary Net Position, Beginning	1,742,082	2,044,663
Plan Fiduciary Net Position, Ending (b)	\$ 2,044,663	\$ 2,146,165
Net Pension Liability (Asset), Ending (a - b)	\$ 342,128	\$ 364,346
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	85.67%	85.49%
Covered Payroll	\$ 813,084	\$ 837,985
Net Pension Liability (Asset) as a Percentage of Covered Payroll	42.08%	43.48%

Note: ten years of data will be presented when available.

Exhibit E-3

Henderson County, Tennessee
Schedule of Contributions Based on Participation in the Public
Employee Pension Plan of TCRS
Primary Government - Henderson County Employees
For the Fiscal Year Ended June 30

	2014	2015	2016
Actuarially Determined Contribution	\$ 614,892	\$ 641,398	\$ 669,619
Less Contributions in Relation to the Actuarially Determined Contribution	(614,892)	(641,398)	(669,619)
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Payroll	\$ 6,995,362	\$ 7,570,158	\$ 7,905,651
Contributions as a Percentage of Covered Payroll	8.79%	8.47%	8.47%

Note: ten years of data will be presented when available.

Note: data presented includes primary government and the discretely presented non-certified employees of the School Department.

Exhibit E-4

Henderson County, Tennessee
Schedule of Contributions Based on Participation in the Public
Employee Pension Plan of TCRS
Primary Government - Henderson County Judges, Officials, and Executives
For the Fiscal Year Ended June 30

	2014	2015	2016
Actuarially Determined Contribution	\$ 45,045	\$ 70,139	\$ 70,303
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(45,045)</u>	<u>(70,139)</u>	<u>(70,303)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Payroll	\$ 813,084	\$ 837,985	\$ 839,940
Contributions as a Percentage of Covered Payroll	5.54%	8.37%	8.37%

Note: ten years of data will be presented when available.

Exhibit E-5

Henderson County, Tennessee
Schedule of Contributions Based on Participation in the Teacher
Retirement Plan of TCRS
Discretely Presented Henderson County School Department
For the Fiscal Year Ended June 30

	<u>2015</u>	<u>2016</u>
Contractually Determined Contribution	\$ 14,864	\$ 27,763
Less Contributions in Relation to the Contractually Determined Contribution	(23,782)	(44,420)
Contribution Deficiency (Excess)	<u>\$ (8,918)</u>	<u>\$ (16,657)</u>
Covered Payroll	\$ 594,559	\$ 1,110,500
Contributions as a Percentage of Covered Payroll	4.00%	4.00%

Note: ten years of data will be presented when available.

Exhibit E-6

Henderson County, Tennessee
Schedule of Contributions Based on Participation in the Teacher
Legacy Pension Plan of TCRS
Discretely Presented Henderson County School Department
For the Fiscal Year Ended June 30

	2014	2015	2016
Contractually Determined Contribution	\$ 1,281,571	\$ 1,269,163	\$ 1,298,662
Less Contributions in Relation to the Contractually Determined Contribution	(1,281,571)	(1,269,163)	(1,298,662)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 14,432,109	\$ 14,039,408	\$ 14,365,730
Contributions as a Percentage of Covered Payroll	8.88%	9.04%	9.04%

Note: ten years of data will be presented when available.

Exhibit E-7

Henderson County, Tennessee
Schedule of Proportionate Share of the Net Pension Asset
in the Teacher Retirement Plan of TCRS
Discretely Presented Henderson County School Department
For the Fiscal Year Ended June 30 *

	<u>2016</u>
School Department's Proportion of the Net Pension Asset	0.286152%
School Department's Proportionate Share of the Net Pension Liability (Asset)	\$ (11,512)
Covered Payroll	\$ 594,559
School Department's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	(1.94)%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	127.46%

* The amounts presented were determined as of June 30 of the prior fiscal year.

Note: ten years of data will be presented when available.

Henderson County, Tennessee
Schedule of Proportionate Share of the Net Pension Asset
in the Teacher Legacy Pension Plan of TCRS
Discretely Presented Henderson County School Department
For the Fiscal Year Ended June 30 *

	<u>2015</u>	<u>2016</u>
School Department's Proportion of the Net Pension Asset	0.367698%	0.375034%
School Department's Proportionate Share of the Net Pension Liability (Asset)	\$ (59,749)	\$ 153,627
Covered Payroll	\$ 14,432,109	\$ 14,039,408
School Department's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	(.41)%	1.09%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%	99.81%

* The amounts presented were determined as of June 30 of the prior fiscal year.

Note: ten years of data will be presented when available.

Exhibit E-9

Henderson County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Primary Government and Discretely Presented Henderson County School Department
June 30, 2016

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Projected Unit Credit (b)	Actuarial Accrued Liability (AAL)	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	7-1-11	\$ 0	\$ 218	\$ 218	0	%	\$ 4,632	5 %
"	7-1-13	0	50	50	0		4,848	1
"	7-1-15	0	170	170	0		5,540	3
<u>DISCRETELY PRESENTED HENDERSON COUNTY SCHOOL DEPARTMENT</u>								
Local Education Group	7-1-11	0	2,684	2,684	0		10,756	25
"	7-1-13	0	1,692	1,692	0		10,755	16
"	7-1-15	0	2,168	2,168	0		17,316	13

HENDERSON COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2016

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

Valuation Date: Actuarially determined contribution rates for 2016 were calculated based on the July 1, 2013, actuarial valuation.

Methods and assumptions used to determine contribution rates:

Henderson County Employees:

Actuarial Cost Method	Frozen Initial Liability
Amortization Method	Level Dollar, Closed (Not to Exceed 20 Years)
Remaining Amortization Period	Three Years
Asset Valuation	10-Year Smoothed Within a 20% Corridor to Market Value
Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Investment Expense, Including Inflation
Retirement Age	Pattern of Retirement Determined by Experience Study
Mortality	Customized Table Based on Actual Experience Including an Adjustment for Some Anticipated Improvement
Cost of Living Adjustments	2.5%

(Continued)

Henderson County Judges, Officials, and Executives:

Actuarial Cost Method	Frozen Initial Liability
Amortization Method	Level Dollar, Closed (Not to Exceed 20 Years)
Remaining Amortization Period	20 Years
Asset Valuation	10-Year Smoothed Within a 20% Corridor to Market Value
Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Investment Expense, Including Inflation
Retirement Age	Pattern of Retirement Determined by Experience Study
Mortality	Customized Table Based on Actual Experience Including an Adjustment for Some Anticipated Improvement
Cost of Living Adjustments	2.5%

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

Debt Service Fund

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

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

Exhibit F-1

Henderson County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	Special Revenue Funds				Debt Service	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu - tional - Officers - Fees	Total	Rural Debt Service Fund	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 157,146	\$ 157,146	\$ 0	\$ 157,146
Equity in Pooled Cash and Investments	297,966	72,876	0	370,842	582,953	953,795
Accounts Receivable	113	0	32,739	32,852	0	32,852
Due from Other Governments	11,839	0	0	11,839	57	11,896
Property Taxes Receivable	466,157	0	0	466,157	0	466,157
Allowance for Uncollectible Property Taxes	(8,270)	0	0	(8,270)	0	(8,270)
Total Assets	\$ 767,805	\$ 72,876	\$ 189,885	\$ 1,030,566	\$ 583,010	\$ 1,613,576
<u>LIABILITIES</u>						
Due to Other Funds	\$ 0	\$ 0	\$ 316	\$ 316	\$ 0	\$ 316
Total Liabilities	\$ 0	\$ 0	\$ 316	\$ 316	\$ 0	\$ 316
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Deferred Current Property Taxes	\$ 441,673	\$ 0	\$ 0	\$ 441,673	\$ 0	\$ 441,673
Deferred Delinquent Property Taxes	13,733	0	0	13,733	0	13,733
Other Deferred/Unavailable Revenue	6,000	0	0	6,000	30	6,030
Total Deferred Inflows of Resources	\$ 461,406	\$ 0	\$ 0	\$ 461,406	\$ 30	\$ 461,436
<u>FUND BALANCES</u>						
Restricted:						
Restricted for Public Safety	\$ 0	\$ 72,876	\$ 0	\$ 72,876	\$ 0	\$ 72,876

(Continued)

Exhibit F-1

Henderson County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds (Cont.)

	Special Revenue Funds				Debt Service	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Total	Rural Debt Service Fund	
<u>FUND BALANCES (Cont.)</u>						
Restricted (Cont.):						
Restricted for Public Health and Welfare	\$ 39,190	\$ 0	\$ 0	\$ 39,190	\$ 0	\$ 39,190
Restricted for Debt Service	0	0	0	0	103,899	103,899
Committed:						
Committed for Finance	0	0	48,614	48,614	0	48,614
Committed for Administration of Justice	0	0	140,955	140,955	0	140,955
Committed for Public Health and Welfare	267,209	0	0	267,209	0	267,209
Committed for Debt Service	0	0	0	0	479,081	479,081
Total Fund Balances	<u>\$ 306,399</u>	<u>\$ 72,876</u>	<u>\$ 189,569</u>	<u>\$ 568,844</u>	<u>\$ 582,980</u>	<u>\$ 1,151,824</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 767,805</u>	<u>\$ 72,876</u>	<u>\$ 189,885</u>	<u>\$ 1,030,566</u>	<u>\$ 583,010</u>	<u>\$ 1,613,576</u>

Exhibit F-2

Henderson County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue Funds				Debt Service	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Total	Rural Debt Service	
<u>Revenues</u>						
Local Taxes	\$ 524,695	\$ 0	\$ 0	\$ 524,695	\$ 275,577	\$ 800,272
Fines, Forfeitures, and Penalties	0	38,450	0	38,450	0	38,450
Charges for Current Services	20,608	0	504,799	525,407	0	525,407
Other Local Revenues	30,725	0	0	30,725	3,000	33,725
Other Governments and Citizens Groups	0	0	0	0	692,060	692,060
Total Revenues	\$ 576,028	\$ 38,450	\$ 504,799	\$ 1,119,277	\$ 970,637	\$ 2,089,914
<u>Expenditures</u>						
Current:						
Finance	\$ 0	\$ 0	\$ 593,886	\$ 593,886	\$ 0	\$ 593,886
Administration of Justice	0	0	440,239	440,239	0	440,239
Public Safety	0	51,960	0	51,960	0	51,960
Public Health and Welfare	553,456	0	0	553,456	0	553,456
Debt Service:						
Principal on Debt	0	0	0	0	560,000	560,000
Interest on Debt	0	0	0	0	132,060	132,060
Other Debt Service	0	0	0	0	5,180	5,180
Total Expenditures	\$ 553,456	\$ 51,960	\$ 1,034,125	\$ 1,639,541	\$ 697,240	\$ 2,336,781
Excess (Deficiency) of Revenues Over Expenditures	\$ 22,572	\$ (13,510)	\$ (529,326)	\$ (520,264)	\$ 273,397	\$ (246,867)

(Continued)

Exhibit F-2

Henderson County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds (Cont.)

	Special Revenue Funds				Debt Service	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Total	Rural Debt Service Fund	
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ 0	\$ 0	\$ 0	\$ 0	(410,000)	\$ (410,000)
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	(410,000)	\$ (410,000)
Net Change in Fund Balances	\$ 22,572	\$ (13,510)	\$ (529,326)	\$ (520,264)	\$ (136,603)	\$ (656,867)
Fund Balance, July 1, 2015	283,827	86,386	718,895	1,089,108	719,583	1,808,691
Fund Balance, June 30, 2016	\$ 306,399	\$ 72,876	\$ 189,569	\$ 568,844	\$ 582,980	\$ 1,151,824

Exhibit F-3

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2016

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 524,695	\$ 494,369	\$ 556,869	\$ (32,174)
Charges for Current Services	20,608	0	0	20,608
Other Local Revenues	30,725	40,000	40,000	(9,275)
Total Revenues	<u>\$ 576,028</u>	<u>\$ 534,369</u>	<u>\$ 596,869</u>	<u>\$ (20,841)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Education/Information	\$ 553,456	\$ 568,195	\$ 630,695	\$ 77,239
Total Expenditures	<u>\$ 553,456</u>	<u>\$ 568,195</u>	<u>\$ 630,695</u>	<u>\$ 77,239</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 22,572</u>	<u>\$ (33,826)</u>	<u>\$ (33,826)</u>	<u>\$ 56,398</u>
Net Change in Fund Balance	\$ 22,572	\$ (33,826)	\$ (33,826)	\$ 56,398
Fund Balance, July 1, 2015	283,827	175,000	175,000	108,827
Fund Balance, June 30, 2016	<u>\$ 306,399</u>	<u>\$ 141,174</u>	<u>\$ 141,174</u>	<u>\$ 165,225</u>

Exhibit F-4

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2016

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 38,450	\$ 55,000	\$ 65,500	\$ (27,050)
Total Revenues	\$ 38,450	\$ 55,000	\$ 65,500	\$ (27,050)
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 51,960	\$ 48,300	\$ 58,800	\$ 6,840
Total Expenditures	\$ 51,960	\$ 48,300	\$ 58,800	\$ 6,840
Excess (Deficiency) of Revenues Over Expenditures	\$ (13,510)	\$ 6,700	\$ 6,700	\$ (20,210)
Net Change in Fund Balance	\$ (13,510)	\$ 6,700	\$ 6,700	\$ (20,210)
Fund Balance, July 1, 2015	86,386	87,445	87,445	(1,059)
Fund Balance, June 30, 2016	\$ 72,876	\$ 94,145	\$ 94,145	\$ (21,269)

Exhibit F-5

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Rural Debt Service Fund
For the Year Ended June 30, 2016

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 275,577	\$ 400,000	\$ 400,000	\$ (124,423)
Other Local Revenues	3,000	5,000	5,000	(2,000)
Other Governments and Citizens Groups	692,060	0	500,000	192,060
Total Revenues	<u>\$ 970,637</u>	<u>\$ 405,000</u>	<u>\$ 905,000</u>	<u>\$ 65,637</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 560,000	\$ 567,000	\$ 562,822	\$ 2,822
<u>Interest on Debt</u>				
Education	132,060	133,060	132,060	0
<u>Other Debt Service</u>				
Education	5,180	0	5,178	(2)
Total Expenditures	<u>\$ 697,240</u>	<u>\$ 700,060</u>	<u>\$ 700,060</u>	<u>\$ 2,820</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 273,397</u>	<u>\$ (295,060)</u>	<u>\$ 204,940</u>	<u>\$ 68,457</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 500,000	\$ 0	\$ 0
Transfers Out	(410,000)	0	(410,000)	0
Total Other Financing Sources	<u>\$ (410,000)</u>	<u>\$ 500,000</u>	<u>\$ (410,000)</u>	<u>\$ 0</u>
Net Change in Fund Balance	<u>\$ (136,603)</u>	<u>\$ 204,940</u>	<u>\$ (205,060)</u>	<u>\$ 68,457</u>
Fund Balance, July 1, 2015	<u>719,583</u>	<u>439,863</u>	<u>439,863</u>	<u>279,720</u>
Fund Balance, June 30, 2016	<u>\$ 582,980</u>	<u>\$ 644,803</u>	<u>\$ 234,803</u>	<u>\$ 348,177</u>

Major Governmental Fund

General Debt Service Fund

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

Exhibit G

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2016

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,083,110	\$ 1,980,325	\$ 1,980,325	\$ 102,785
Other Local Revenues	25,306	50,000	50,000	(24,694)
Other Governments and Citizens Groups	104,208	0	104,208	0
Total Revenues	<u>\$ 2,212,624</u>	<u>\$ 2,030,325</u>	<u>\$ 2,134,533</u>	<u>\$ 78,091</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 443,350	\$ 120,000	\$ 456,141	\$ 12,791
Education	1,539,222	1,685,000	1,547,227	8,005
<u>Interest on Debt</u>				
General Government	490,001	617,000	563,261	73,260
Education	188,521	320,000	244,875	56,354
<u>Other Debt Service</u>				
General Government	33,679	0	33,679	0
Education	1,025	0	1,025	0
Total Expenditures	<u>\$ 2,695,798</u>	<u>\$ 2,742,000</u>	<u>\$ 2,846,208</u>	<u>\$ 150,410</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (483,174)</u>	<u>\$ (711,675)</u>	<u>\$ (711,675)</u>	<u>\$ 228,501</u>
Net Change in Fund Balance	\$ (483,174)	\$ (711,675)	\$ (711,675)	\$ 228,501
Fund Balance, July 1, 2015	<u>2,732,543</u>	<u>2,541,388</u>	<u>2,541,388</u>	<u>191,155</u>
Fund Balance, June 30, 2016	<u>\$ 2,249,369</u>	<u>\$ 1,829,713</u>	<u>\$ 1,829,713</u>	<u>\$ 419,656</u>

Fiduciary Funds

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

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

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

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

Exhibit H-1

Henderson County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2016

	<u>Agency Funds</u>			<u>Total</u>
	<u>Cities - Sales Tax</u>	<u>City School ADA - Lexington</u>	<u>Constitu- tional Officers - Agency</u>	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 1,478,612	\$ 1,478,612
Equity in Pooled Cash and Investments	0	65,072	0	65,072
Accounts Receivable	0	111	2,345	2,456
Due from Other Governments	581,222	121,332	0	702,554
Taxes Receivable	0	448,288	0	448,288
Allowance for Uncollectible Taxes	0	(8,060)	0	(8,060)
Total Assets	<u>\$ 581,222</u>	<u>\$ 626,743</u>	<u>\$ 1,480,957</u>	<u>\$ 2,688,922</u>
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 581,222	\$ 626,743	\$ 0	\$ 1,207,965
Due to Litigants, Heirs, and Others	0	0	1,480,957	1,480,957
Total Liabilities	<u>\$ 581,222</u>	<u>\$ 626,743</u>	<u>\$ 1,480,957</u>	<u>\$ 2,688,922</u>

Exhibit H-2

Henderson County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2016

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 3,371,195	\$ 3,371,195	\$ 0
Due from Other Governments	600,159	581,222	600,159	581,222
Total Assets	\$ 600,159	\$ 3,952,417	\$ 3,971,354	\$ 581,222
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 600,159	\$ 3,952,417	\$ 3,971,354	\$ 581,222
Total Liabilities	\$ 600,159	\$ 3,952,417	\$ 3,971,354	\$ 581,222
<u>City School ADA - Lexington Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 80,996	\$ 1,187,178	\$ 1,203,102	\$ 65,072
Accounts Receivable	70	111	70	111
Due from Other Governments	131,802	121,332	131,802	121,332
Taxes Receivable	482,461	448,288	482,461	448,288
Allowance for Uncollectible Taxes	(5,270)	(8,060)	(5,270)	(8,060)
Total Assets	\$ 690,059	\$ 1,748,849	\$ 1,812,165	\$ 626,743
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 690,059	\$ 1,748,849	\$ 1,812,165	\$ 626,743
Total Liabilities	\$ 690,059	\$ 1,748,849	\$ 1,812,165	\$ 626,743
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,511,091	\$ 6,788,213	\$ 6,820,692	\$ 1,478,612
Accounts Receivable	6,758	2,345	6,758	2,345
Total Assets	\$ 1,517,849	\$ 6,790,558	\$ 6,827,450	\$ 1,480,957
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,517,849	\$ 6,790,558	\$ 6,827,450	\$ 1,480,957
Total Liabilities	\$ 1,517,849	\$ 6,790,558	\$ 6,827,450	\$ 1,480,957
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,511,091	\$ 6,788,213	\$ 6,820,692	\$ 1,478,612
Equity in Pooled Cash and Investments	80,996	4,558,373	4,574,297	65,072
Accounts Receivable	6,828	2,456	6,828	2,456
Due from Other Governments	731,961	702,554	731,961	702,554
Taxes Receivable	482,461	448,288	482,461	448,288
Allowance for Uncollectible Taxes	(5,270)	(8,060)	(5,270)	(8,060)
Total Assets	\$ 2,808,067	\$ 12,491,824	\$ 12,610,969	\$ 2,688,922
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,290,218	\$ 5,701,266	\$ 5,783,519	\$ 1,207,965
Due to Litigants, Heirs, and Others	1,517,849	6,790,558	6,827,450	1,480,957
Total Liabilities	\$ 2,808,067	\$ 12,491,824	\$ 12,610,969	\$ 2,688,922

Henderson County School Department

This section presents combining and individual fund financial statements for the Henderson County School Department, a discretely presented component unit. The School Department uses a General Fund, three 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 on specific education programs.

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

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

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

Henderson County, Tennessee
Statement of Activities
Discretely Presented Henderson County School Department
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position Total Governmental Activities
Governmental Activities:				
Instruction	\$ 21,534,364	\$ 6,900	\$ 1,560,963	\$ (19,966,501)
Support Services	9,575,996	286,711	434,643	(8,854,642)
Operation of Non-instructional Services	2,991,151	558,904	2,206,557	(225,690)
Total Governmental Activities	<u>\$ 34,101,511</u>	<u>\$ 852,515</u>	<u>\$ 4,202,163</u>	<u>\$ (29,046,833)</u>
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 3,089,022
Local Option Sales Taxes				3,023,737
Wheel Tax				166,882
Other Local Taxes				5,748
Grants and Contributions Not Restricted to Specific Programs				21,696,167
Unrestricted Investment Income				8,647
Miscellaneous				86,478
Total General Revenues				<u>\$ 28,076,681</u>
Change in Net Position				\$ (970,152)
Net Position, July 1, 2015				26,638,610
Prior-period Adjustment - See Note I.D.8				<u>(1,338,286)</u>
Net Position, June 30, 2016				<u>\$ 24,330,172</u>

Exhibit I-2

Henderson County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Henderson County School Department
June 30, 2016

	<u>Major Funds</u>		<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
	<u>General Purpose School</u>	<u>School Transportation</u>	<u>Other Governmental Funds</u>	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 5,464,588	\$ 338,374	\$ 953,643	\$ 6,756,605
Accounts Receivable	2,405	241	0	2,646
Due from Other Governments	613,307	0	36,103	649,410
Due from Other Funds	0	0	8,512	8,512
Property Taxes Receivable	2,545,963	1,036,407	0	3,582,370
Allowance for Uncollectible Property Taxes	(45,773)	(18,042)	0	(63,815)
Total Assets	\$ 8,580,490	\$ 1,356,980	\$ 998,258	\$ 10,935,728
<u>LIABILITIES</u>				
Accounts Payable	\$ 15,637	\$ 0	\$ 0	\$ 15,637
Payroll Deductions Payable	625	0	0	625
Due to Other Funds	8,512	0	0	8,512
Total Liabilities	\$ 24,774	\$ 0	\$ 0	\$ 24,774
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 2,409,126	\$ 983,726	\$ 0	\$ 3,392,852
Deferred Delinquent Property Taxes	79,602	29,338	0	108,940
Other Deferred/Unavailable Revenue	288,430	0	0	288,430
Total Deferred Inflows of Resources	\$ 2,777,158	\$ 1,013,064	\$ 0	\$ 3,790,222

(Continued)

Exhibit I-2

Henderson County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Henderson County School Department (Cont.)

	<u>Major Funds</u>		<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
	<u>General Purpose School</u>	<u>School Transportation</u>	<u>Other Governmental Funds</u>	
<u>FUND BALANCES</u>				
Restricted:				
Restricted for Education	\$ 3,504	\$ 208,961	\$ 8,512	\$ 220,977
Restricted for Operation of Non-instructional Services	0	0	589,746	589,746
Committed:				
Committed for Education	3,300,129	134,955	0	3,435,084
Assigned:				
Assigned for Education	388,310	0	400,000	788,310
Unassigned	2,086,615	0	0	2,086,615
Total Fund Balances	<u>\$ 5,778,558</u>	<u>\$ 343,916</u>	<u>\$ 998,258</u>	<u>\$ 7,120,732</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 8,580,490</u>	<u>\$ 1,356,980</u>	<u>\$ 998,258</u>	<u>\$ 10,935,728</u>

Exhibit I-3

Henderson County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
Discretely Presented Henderson County School Department
June 30, 2016

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$ 7,120,732	
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$ 1,151,661		
Add: construction in progress	721,999		
Add: buildings and improvements net of accumulated depreciation	17,238,976		
Add: infrastructure net of accumulated depreciation	79,271		
Add: other capital assets net of accumulated depreciation	<u>774,818</u>	19,966,725	
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: contributions due on primary government debt for the other loan	\$ (1,436,810)		
Less: net pension liability - teacher legacy pension plan	(153,627)		
Less: other postemployment benefits liability	<u>(970,956)</u>	(2,561,393)	
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as a component of pension expense in future years.			
Add: deferred outflows of resources related to pensions	\$ 1,954,967		
Less: deferred inflows of resources related to pensions	<u>(3,430,104)</u>	(1,475,137)	
(4) Net pension assets are not current financial resources and therefore are not reported in the governmental funds.			
Add: net pension asset - agent plan	\$ 870,363		
Add: net pension asset - teacher retirement plan	<u>11,512</u>	881,875	
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>397,370</u>
Net position of governmental activities (Exhibit A)			<u>\$ 24,330,172</u>

Exhibit I-4

Henderson County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Henderson County School Department
For the Year Ended June 30, 2016

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General Purpose School	School Transpor - tation	Other Govern- mental Funds	
<u>Revenues</u>				
Local Taxes	\$ 5,275,815	\$ 981,980	\$ 0	\$ 6,257,795
Licenses and Permits	2,114	0	0	2,114
Charges for Current Services	288,800	0	558,239	847,039
Other Local Revenues	112,959	4,285	8,900	126,144
State of Tennessee	21,811,784	0	0	21,811,784
Federal Government	359,125	0	3,724,499	4,083,624
Total Revenues	<u>\$ 27,850,597</u>	<u>\$ 986,265</u>	<u>\$ 4,291,638</u>	<u>\$ 33,128,500</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 19,420,647	\$ 0	\$ 1,298,351	\$ 20,718,998
Support Services	8,455,550	944,888	729,646	10,130,084
Operation of Non-Instructional Services	588,170	0	2,391,129	2,979,299
Capital Outlay	853,235	0	0	853,235
Debt Service:				
Other Debt Service	796,268	0	0	796,268
Capital Projects	0	0	2,071	2,071
Total Expenditures	<u>\$ 30,113,870</u>	<u>\$ 944,888</u>	<u>\$ 4,421,197</u>	<u>\$ 35,479,955</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (2,263,273)</u>	<u>\$ 41,377</u>	<u>\$ (129,559)</u>	<u>\$ (2,351,455)</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 406	\$ 1,380	\$ 0	\$ 1,786
Transfers In	7,071	0	0	7,071

(Continued)

Exhibit I-4

Henderson County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Henderson County School Department (Cont.)

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General Purpose School	School Transpor - tation	Other Govern- mental Funds	
<u>Other Financing Sources (Uses) (Cont.)</u>				
Transfers Out	\$ 0	\$ 0	\$ (7,071)	\$ (7,071)
Total Other Financing Sources (Uses)	\$ 7,477	\$ 1,380	\$ (7,071)	\$ 1,786
Net Change in Fund Balances	\$ (2,255,796)	\$ 42,757	\$ (136,630)	\$ (2,349,669)
Fund Balance, July 1, 2015	8,034,354	301,159	1,134,888	9,470,401
Fund Balance, June 30, 2016	\$ 5,778,558	\$ 343,916	\$ 998,258	\$ 7,120,732

Exhibit I-5

Henderson County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Henderson County School Department
For the Year Ended June 30, 2016

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)		\$ (2,349,669)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 1,303,772	
Less: current-year depreciation expense	<u>(1,504,162)</u>	(200,390)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2016	\$ 397,370	
Less: deferred delinquent property taxes and other deferred June 30, 2015	<u>(394,511)</u>	2,859
(3) The contributions of long-term debt (e.g., other loans) by the primary government provide current financial resources to governmental funds, while the contributions by the School Department of the principal of long-term debt consume the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Add: principal contributions on other loan to primary government		82,572
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in other postemployment benefits liability	\$ (54,021)	
Change in net pension asset - agent plan	(243,974)	
Change in net pension asset - teacher retirement plan	11,512	
Change in net pension liability - teacher legacy pension plan	(213,376)	
Change in deferred outflows related to pensions	126,816	
Change in deferred inflows related to pensions	<u>1,867,519</u>	<u>1,494,476</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ (970,152)</u>

Exhibit I-6

Henderson County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Henderson County School Department
June 30, 2016

	<u>Special Revenue Funds</u>		Total
	School Federal Projects	Central Cafeteria	Nonmajor Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 363,897	\$ 589,746	\$ 953,643
Due from Other Governments	36,103	0	36,103
Due from Other Funds	8,512	0	8,512
Total Assets	<u>\$ 408,512</u>	<u>\$ 589,746</u>	<u>\$ 998,258</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 8,512	\$ 0	\$ 8,512
Restricted for Operation of Non-instructional Services	0	589,746	589,746
Assigned:			
Assigned for Education	400,000	0	400,000
Total Fund Balances	<u>\$ 408,512</u>	<u>\$ 589,746</u>	<u>\$ 998,258</u>

Exhibit I-7

Henderson County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Henderson County School Department
For the Year Ended June 30, 2016

	Special Revenue Funds			Capital	Total
	School Federal Projects	Central Cafeteria	Total	Projects Fund Education Capital Projects	
<u>Revenues</u>					
Charges for Current Services	\$ 0	\$ 558,239	\$ 558,239	\$ 0	\$ 558,239
Other Local Revenues	0	8,900	8,900	0	8,900
Federal Government	2,043,580	1,680,919	3,724,499	0	3,724,499
Total Revenues	\$ 2,043,580	\$ 2,248,058	\$ 4,291,638	\$ 0	\$ 4,291,638
<u>Expenditures</u>					
Current:					
Instruction	\$ 1,298,351	\$ 0	\$ 1,298,351	\$ 0	\$ 1,298,351
Support Services	729,646	0	729,646	0	729,646
Operation of Non-Instructional Services	0	2,391,129	2,391,129	0	2,391,129
Capital Projects	0	0	0	2,071	2,071
Total Expenditures	\$ 2,027,997	\$ 2,391,129	\$ 4,419,126	\$ 2,071	\$ 4,421,197
Excess (Deficiency) of Revenues Over Expenditures	\$ 15,583	\$ (143,071)	\$ (127,488)	\$ (2,071)	\$ (129,559)
<u>Other Financing Sources (Uses)</u>					
Transfers Out	\$ (7,071)	\$ 0	\$ (7,071)	\$ 0	\$ (7,071)
Total Other Financing Sources (Uses)	\$ (7,071)	\$ 0	\$ (7,071)	\$ 0	\$ (7,071)
Net Change in Fund Balances	\$ 8,512	\$ (143,071)	\$ (134,559)	\$ (2,071)	\$ (136,630)
Fund Balance, July 1, 2015	400,000	732,817	1,132,817	2,071	1,134,888
Fund Balance, June 30, 2016	\$ 408,512	\$ 589,746	\$ 998,258	\$ 0	\$ 998,258

Exhibit I-8

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Henderson County School Department
General Purpose School Fund
For the Year Ended June 30, 2016

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2015	Add: Encumbrances 6/30/2016	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 5,275,815	\$ 0	\$ 0	\$ 5,275,815	\$ 5,135,500	\$ 5,273,603	\$ 2,212
Licenses and Permits	2,114	0	0	2,114	0	0	2,114
Charges for Current Services	288,800	0	0	288,800	329,000	329,000	(40,200)
Other Local Revenues	112,959	0	0	112,959	380,500	380,500	(267,541)
State of Tennessee	21,811,784	0	0	21,811,784	21,276,285	21,340,947	470,837
Federal Government	359,125	0	0	359,125	263,500	397,039	(37,914)
Total Revenues	\$ 27,850,597	\$ 0	\$ 0	\$ 27,850,597	\$ 27,384,785	\$ 27,721,089	\$ 129,508
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 15,561,963	\$ (22,118)	\$ 0	\$ 15,539,845	\$ 14,540,000	\$ 15,845,000	\$ 305,155
Alternative Instruction Program	39,993	0	0	39,993	47,700	47,700	7,707
Special Education Program	2,549,196	0	0	2,549,196	2,545,500	2,565,922	16,726
Vocational Education Program	1,155,360	0	0	1,155,360	1,182,950	1,182,950	27,590
Adult Education Program	114,135	0	0	114,135	95,200	122,200	8,065
<u>Support Services</u>							
Attendance	90,758	0	0	90,758	104,125	104,125	13,367
Health Services	419,295	0	0	419,295	352,500	475,117	55,822
Other Student Support	746,733	0	0	746,733	761,700	822,200	75,467
Regular Instruction Program	1,302,233	0	0	1,302,233	1,425,500	1,435,500	133,267
Alternative Instruction Program	71,139	0	0	71,139	75,500	76,000	4,861
Special Education Program	254,708	0	0	254,708	276,700	276,700	21,992
Vocational Education Program	103,105	0	0	103,105	103,700	103,700	595
Adult Programs	99,247	0	0	99,247	100,650	105,950	6,703
Other Programs	155,581	0	0	155,581	0	156,862	1,281
Board of Education	503,221	0	0	503,221	545,810	601,610	98,389
Director of Schools	200,314	0	0	200,314	219,679	219,479	19,165
Office of the Principal	1,370,813	0	0	1,370,813	1,169,250	1,658,250	287,437
Fiscal Services	240,811	0	0	240,811	246,300	255,800	14,989

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2015	Add: Encumbrances 6/30/2016	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Operation of Plant	\$ 2,073,074	\$ 0	\$ 0	\$ 2,073,074	\$ 2,078,600	\$ 2,239,100	\$ 166,026
Maintenance of Plant	479,668	0	0	479,668	541,000	581,000	101,332
Transportation	344,850	0	0	344,850	244,750	384,750	39,900
<u>Operation of Non-Instructional Services</u>							
Food Service	78,783	0	0	78,783	85,075	85,075	6,292
Early Childhood Education	509,387	0	0	509,387	505,285	509,387	0
<u>Capital Outlay</u>							
Regular Capital Outlay	853,235	0	388,310	1,241,545	2,180,000	1,765,000	523,455
<u>Principal on Debt</u>							
Education	0	0	0	0	83,000	0	0
<u>Interest on Debt</u>							
Education	0	0	0	0	155,000	0	0
<u>Other Debt Service</u>							
Education	796,268	0	0	796,268	375,000	931,000	134,732
Total Expenditures	\$ 30,113,870	\$ (22,118)	\$ 388,310	\$ 30,480,062	\$ 30,040,474	\$ 32,550,377	\$ 2,070,315
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (2,263,273)	\$ 22,118	\$ (388,310)	\$ (2,629,465)	\$ (2,655,689)	\$ (4,829,288)	\$ 2,199,823
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 406	\$ 0	\$ 0	\$ 406	\$ 0	\$ 0	\$ 406
Transfers In	7,071	0	0	7,071	0	0	7,071
Total Other Financing Sources	\$ 7,477	\$ 0	\$ 0	\$ 7,477	\$ 0	\$ 0	\$ 7,477
Net Change in Fund Balance							
Fund Balance, July 1, 2015	\$ (2,255,796)	\$ 22,118	\$ (388,310)	\$ (2,621,988)	\$ (2,655,689)	\$ (4,829,288)	\$ 2,207,300
	8,034,354	(22,118)	0	8,012,236	7,500,000	7,500,000	512,236
Fund Balance, June 30, 2016							
	\$ 5,778,558	\$ 0	\$ (388,310)	\$ 5,390,248	\$ 4,844,311	\$ 2,670,712	\$ 2,719,536

Exhibit I-9

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Henderson County School Department
School Federal Projects Fund
For the Year Ended June 30, 2016

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
State of Tennessee	\$ 0	\$ 212,500	\$ 0	\$ 0
Federal Government	2,043,580	1,993,143	2,119,845	(76,265)
Total Revenues	\$ 2,043,580	\$ 2,205,643	\$ 2,119,845	\$ (76,265)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 671,895	\$ 694,091	\$ 697,792	\$ 25,897
Special Education Program	575,176	575,183	575,176	0
Vocational Education Program	51,280	51,280	51,280	0
<u>Support Services</u>				
Health Services	0	90,000	0	0
Other Student Support	123,493	133,324	133,361	9,868
Regular Instruction Program	324,336	372,885	373,350	49,014
Special Education Program	111,698	111,913	111,698	0
Transportation	170,119	169,897	170,119	0
Total Expenditures	\$ 2,027,997	\$ 2,198,573	\$ 2,112,776	\$ 84,779
Excess (Deficiency) of Revenues Over Expenditures	\$ 15,583	\$ 7,070	\$ 7,069	\$ 8,514
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (7,071)	\$ (7,070)	\$ (7,070)	\$ (1)
Total Other Financing Sources	\$ (7,071)	\$ (7,070)	\$ (7,070)	\$ (1)
Net Change in Fund Balance	\$ 8,512	\$ 0	\$ (1)	\$ 8,513
Fund Balance, July 1, 2015	400,000	325,513	325,513	74,487
Fund Balance, June 30, 2016	\$ 408,512	\$ 325,513	\$ 325,512	\$ 83,000

Exhibit I-10

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Henderson County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2016

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 558,239	\$ 0	\$ 558,239	\$ 782,000	\$ 856,000	\$ (297,761)
Other Local Revenues	8,900	0	8,900	0	0	8,900
Federal Government	1,680,919	0	1,680,919	1,338,500	1,445,271	235,648
Total Revenues	\$ 2,248,058	\$ 0	\$ 2,248,058	\$ 2,120,500	\$ 2,301,271	\$ (53,213)
<u>Expenditures</u>						
<u>Operation of Non-Instructional Services</u>						
Food Service	\$ 2,391,129	\$ (131,813)	\$ 2,259,316	\$ 2,120,500	\$ 2,301,271	\$ 41,955
Total Expenditures	\$ 2,391,129	\$ (131,813)	\$ 2,259,316	\$ 2,120,500	\$ 2,301,271	\$ 41,955
Excess (Deficiency) of Revenues Over Expenditures	\$ (143,071)	\$ 131,813	\$ (11,258)	\$ 0	\$ 0	\$ (11,258)
Net Change in Fund Balance	\$ (143,071)	\$ 131,813	\$ (11,258)	\$ 0	\$ 0	\$ (11,258)
Fund Balance, July 1, 2015	732,817	(131,813)	601,004	757,000	757,000	(155,996)
Fund Balance, June 30, 2016	\$ 589,746	\$ 0	\$ 589,746	\$ 757,000	\$ 757,000	\$ (167,254)

Exhibit I-11

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Henderson County School Department
School Transportation Fund
For the Year Ended June 30, 2016

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 981,980	\$ 932,596	\$ 932,596	\$ 49,384
Other Local Revenues	4,285	0	0	4,285
Total Revenues	<u>\$ 986,265</u>	<u>\$ 932,596</u>	<u>\$ 932,596</u>	<u>\$ 53,669</u>
<u>Expenditures</u>				
<u>Support Services</u>				
Board of Education	\$ 19,284	\$ 25,000	\$ 25,000	\$ 5,716
Transportation	925,604	1,124,600	1,124,600	198,996
Total Expenditures	<u>\$ 944,888</u>	<u>\$ 1,149,600</u>	<u>\$ 1,149,600</u>	<u>\$ 204,712</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 41,377</u>	<u>\$ (217,004)</u>	<u>\$ (217,004)</u>	<u>\$ 258,381</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 1,380	\$ 0	\$ 0	\$ 1,380
Total Other Financing Sources	<u>\$ 1,380</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,380</u>
Net Change in Fund Balance	\$ 42,757	\$ (217,004)	\$ (217,004)	\$ 259,761
Fund Balance, July 1, 2015	<u>301,159</u>	<u>300,000</u>	<u>300,000</u>	<u>1,159</u>
Fund Balance, June 30, 2016	<u>\$ 343,916</u>	<u>\$ 82,996</u>	<u>\$ 82,996</u>	<u>\$ 260,920</u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

Henderson County, Tennessee
Schedule of Changes in Long-term Note, Other Loan, and Bonds
For the Year Ended June 30, 2016

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-15	Paid and/or Matured During Period	Outstanding 6-30-16
<u>NOTE PAYABLE</u>							
<u>Payable through General Fund</u>							
Capital Outlay Note, Series 2010	\$ 405,000	3 %	8-27-10	4-1-18	\$ 210,000	\$ 70,000	\$ 140,000
Total Note Payable					\$ 210,000	\$ 70,000	\$ 140,000
<u>OTHER LOAN PAYABLE</u>							
<u>Contributions Due by the School Department from the General Purpose School Fund to the General Debt Service Fund</u>							
Clean Water State Revolving Fund	1,800,582	1.38	7-31-10	12-31-31	\$ 1,519,382	\$ 82,572	\$ 1,436,810
Total Other Loan Payable					\$ 1,519,382	\$ 82,572	\$ 1,436,810
<u>BONDS PAYABLE</u>							
<u>Payable through General Debt Service Fund</u>							
High School Refunding Bonds, Series 2001	8,150,000	3.5 to 5	10-11-01	4-1-17	\$ 2,130,000	\$ 1,030,000	\$ 1,100,000
G.O. Bonds, Series 2008	9,500,000	3.75 to 4.75	12-11-08	4-1-21	2,600,000	50,000	2,550,000
G.O. Bonds, Series 2009	5,400,000	1.75 to 4.15	11-10-09	4-1-29	5,250,000	25,000	5,225,000
G.O. Refunding Bonds, Series 2012	4,035,000	1 to 2.5	7-12-12	4-1-24	2,840,000	460,000	2,380,000
G.O. Refunding Bonds, Series 2015	9,300,000	2 to 3	6-10-15	4-1-29	9,300,000	335,000	8,965,000
Total Payable through General Debt Service Fund					\$ 22,120,000	\$ 1,900,000	\$ 20,220,000
<u>Payable through Rural Debt Service Fund</u>							
School Refunding Bonds, Series 2009	2,815,000	2 to 3	11-10-09	6-30-16	\$ 275,000	\$ 275,000	\$ 0
Rural School Bonds, Series 2013	5,000,000	2 to 3.75	8-1-13	4-1-29	4,440,000	285,000	4,155,000
Total Payable through Rural Debt Service Fund					\$ 4,715,000	\$ 560,000	\$ 4,155,000
Total Bonds Payable					\$ 26,835,000	\$ 2,460,000	\$ 24,375,000

Exhibit J-2

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

Year Ending June 30	Note		
	Principal	Interest	Total
2017	\$ 70,000	\$ 4,200	\$ 74,200
2018	70,000	2,100	72,100
Total	\$ 140,000	\$ 6,300	\$ 146,300

Year Ending June 30	Other Loan			Total
	Principal	Interest	Other Fees	
2017	\$ 83,724	\$ 19,296	\$ 1,152	\$ 104,172
2018	84,876	18,144	1,080	104,100
2019	86,064	16,956	1,020	104,040
2020	87,252	15,768	948	103,968
2021	88,464	14,556	876	103,896
2022	89,700	13,320	804	103,824
2023	90,948	12,072	732	103,752
2024	92,208	10,812	660	103,680
2025	93,480	9,540	588	103,608
2026	94,788	8,232	516	103,536
2027	96,096	6,924	432	103,452
2028	97,440	5,580	360	103,380
2029	98,784	4,236	276	103,296
2030	100,164	2,856	204	103,224
2031	101,556	1,464	120	103,140
2032	51,266	135	16	51,417
Total	\$ 1,436,810	\$ 159,891	\$ 9,784	\$ 1,606,485

Year Ending June 30	Bonds		Total
	Principal	Interest	
2017	\$ 2,200,000	\$ 750,048	\$ 2,950,048
2018	1,945,000	667,924	2,612,924
2019	2,110,000	608,398	2,718,398
2020	2,095,000	543,674	2,638,674
2021	1,835,000	477,573	2,312,573
2022	1,995,000	413,586	2,408,586
2023	1,990,000	362,112	2,352,112
2024	1,990,000	310,039	2,300,039
2025	1,660,000	256,413	1,916,413
2026	1,650,000	207,738	1,857,738
2027	1,645,000	158,950	1,803,950
2028	1,635,000	107,014	1,742,014
2029	1,625,000	54,988	1,679,988
Total	\$ 24,375,000	\$ 4,918,457	\$ 29,293,457

Exhibit J-3

Henderson County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Henderson County School Department
For the Year Ended June 30, 2016

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
Rural Debt Service	General	Land purchase	<u>\$ 410,000</u>
Total Transfers Primary Government			<u><u>\$ 410,000</u></u>
<u>DISCRETELY PRESENTED HENDERSON COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 7,071</u>
Total Transfers Discretely Presented Henderson County School Department			<u><u>\$ 7,071</u></u>

Exhibit J-4

Henderson County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Henderson County School Department
For the Year Ended June 30, 2016

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <i>TCA</i>	\$ 78,358	\$ 100,000	State Automobile Mutual Insurance Company
Road Supervisor	Section 8-24-102, <i>TCA</i>	74,628	100,000	Western Surety Company
Director of Schools	State Board of Education and County Board of Education	106,000 (1)	100,000	"
Trustee	Section 8-24-102, <i>TCA</i> , and County Commission	69,343 (2)	950,000	Auto-Owners Insurance Company
Assessor of Property	Section 8-24-102, <i>TCA</i>	67,843	50,000	Western Surety Company
Director of Finance	County Commission	61,071 (2)	100,000	State Automobile Mutual Insurance Company
County Clerk	Section 8-24-102, <i>TCA</i> , and County Commission	69,343 (2)	100,000	"
Circuit, General Sessions, and Juvenile Courts Clerk	Section 8-24-102, <i>TCA</i> , and County Commission	76,127 (2,3)	200,000	"
Clerk and Master	Section 8-24-102, <i>TCA</i> , and County Commission	76,124 (2,3,4)	100,000	"
Register of Deeds	Section 8-24-102, <i>TCA</i> and County Commission	69,343 (2)	100,000	"
Sheriff	Section 8-24-102, <i>TCA</i>	74,628 (5)	100,000	"
Employee Blanket Bonds:				
County Departments and Highway Department			150,000	Tennessee Risk Management Trust
School Department			150,000	"

- (1) Includes additional compensation of \$1,000 for the career ladder program.
- (2) Includes a certified public administrator supplement of \$1,500.
- (3) Includes additional compensation of \$6,784 for multiple courts.
- (4) Does not include special commissioner fees of \$14,940.
- (5) Does not include a law enforcement training supplement of \$600.

Exhibit J-5

Henderson County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2016

	Special Revenue Funds					Debt Service
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 4,119,342	\$ 425,131	\$ 0	\$ 0	\$ 220,299	\$ 1,058,972
Trustee's Collections - Prior Year	153,367	15,644	0	0	8,082	38,940
Circuit Clerk/Clerk and Master Collections - Prior Years	45,260	4,694	0	0	2,385	11,522
Interest and Penalty	25,808	2,535	0	0	1,360	6,554
Payments in-Lieu-of Taxes - Local Utilities	70,887	7,207	0	0	3,734	17,951
<u>County Local Option Taxes</u>						
Local Option Sales Tax	65,000	65,000	0	0	0	0
Hotel/Motel Tax	156,638	0	0	0	0	0
Wheel Tax	0	0	0	0	0	938,002
Litigation Tax - General	168,867	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	61,511	0	0	0	0	0
Business Tax	377,553	0	0	0	0	0
Mixed Drink Tax	3,831	0	0	0	0	0
<u>Statutory Local Taxes</u>						
Bank Excise Tax	44,105	4,484	0	0	2,323	11,169
Wholesale Beer Tax	82,788	0	0	0	0	0
Interstate Telecommunications Tax	1,290	0	0	0	0	0
Total Local Taxes	<u>\$ 5,376,247</u>	<u>\$ 524,695</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 238,183</u>	<u>\$ 2,083,110</u>
<u>Licenses and Permits</u>						
<u>Permits</u>						
Beer Permits	\$ 1,045	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Licenses and Permits	<u>\$ 1,045</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service
	General	Solid Waste / Sanitation	Drug Control	Constitutional - Officers - Fees	Highway / Public Works	General Debt Service
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 44,055	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	3,619	0	0	0	0	0
Drug Control Fines	4,399	0	5,899	0	0	0
DUI Treatment Fines	855	0	0	0	0	0
Data Entry Fee - Circuit Court	8,795	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	90,748	0	0	0	0	0
Officers Costs	48,040	0	0	0	0	0
Game and Fish Fines	647	0	0	0	0	0
Drug Control Fines	2,748	0	3,354	0	0	0
Drug Court Fees	5,679	0	0	0	0	0
Jail Fees	80,854	0	0	0	0	0
DUI Treatment Fines	10,735	0	0	0	0	0
<u>Juvenile Court</u>						
Fines	1,823	0	0	0	0	0
<u>Chancery Court</u>						
Officers Costs	133	0	0	0	0	0
Data Entry Fee - Chancery Court	2,011	0	0	0	0	0
<u>Judicial District Drug Program</u>						
Drug Task Force Forfeitures and Seizures	2,500	0	29,197	0	0	0
Courtroom Security Fee	153,422	0	0	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 461,063	\$ 0	\$ 38,450	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Surcharge - Waste Tire Disposal	\$ 0	\$ 20,608	\$ 0	\$ 0	\$ 0	\$ 0
Work Release Charges for Board	15,240	0	0	0	0	0
<u>Fees</u>						
Copy Fees	68	0	0	0	0	0
Telephone Commissions	36,262	0	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	504,799	0	0
Data Processing Fee - Register	8,776	0	0	0	0	0
Data Processing Fee - Sheriff	13,183	0	0	0	0	0
Sexual Offender Registration Fee - Sheriff	4,640	0	0	0	0	0
Data Processing Fee - County Clerk	15,127	0	0	0	0	0
Total Charges for Current Services	\$ 93,296	\$ 20,608	\$ 0	\$ 504,799	\$ 0	\$ 0
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 61,620	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25,306
Lease/Rentals	28,900	0	0	0	0	0
Sale of Materials and Supplies	7,214	0	0	0	1,566	0
Commissary Sales	97,870	0	0	0	0	0
Sale of Recycled Materials	163	30,690	0	0	0	0
Miscellaneous Refunds	257,214	35	0	0	11,518	0
<u>Nonrecurring Items</u>						
Sale of Equipment	3,670	0	0	0	0	0
<u>Other Local Revenues</u>						
Other Local Revenues	12,282	0	0	0	0	0
Total Other Local Revenues	\$ 468,933	\$ 30,725	\$ 0	\$ 0	\$ 13,084	\$ 25,306

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service
	General	Solid Waste / Sanitation	Drug Control	Constitutional - Officers - Fees	Highway / Public Works	General Debt Service
<u>Fees Received From County Officials</u>						
<u>Excess Fees</u>						
County Clerk	\$ 246,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	354,243	0	0	0	0	0
Trustee	117,239	0	0	0	0	0
<u>Fees In-Lieu-of Salary</u>						
Clerk and Master	89,609	0	0	0	0	0
Register	106,957	0	0	0	0	0
Sheriff	16,089	0	0	0	0	0
Total Fees Received From County Officials	<u>\$ 930,137</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 13,545	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
On-behalf Contributions for OPEB	300	0	0	0	0	0
<u>Public Works Grants</u>						
State Aid Program	0	0	0	0	1,188,089	0
Litter Program	23,920	0	0	0	0	0
<u>Other State Revenues</u>						
Income Tax	49,771	0	0	0	0	0
Beer Tax	18,488	0	0	0	0	0
Alcoholic Beverage Tax	65,878	0	0	0	0	0
Contracted Prisoner Boarding	1,008,459	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	1,876,190	0
Petroleum Special Tax	0	0	0	0	20,037	0
Registrar's Salary Supplement	32,366	0	0	0	0	0
Other State Grants	280,616	0	0	0	0	0

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service
	General	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service
<u>State of Tennessee (Cont.)</u>						
<u>Other State Revenues (Cont.)</u>						
Other State Revenues	\$ 43,036	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total State of Tennessee	\$ 1,536,379	\$ 0	\$ 0	\$ 0	\$ 3,084,316	\$ 0
<u>Federal Government</u>						
<u>Federal Through State</u>						
Community Development	\$ 29,825	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Civil Defense Reimbursement	70,935	0	0	0	0	0
Other Federal through State	19,600	0	0	0	0	0
<u>Direct Federal Revenue</u>						
Other Direct Federal Revenue	5,433	0	0	0	0	0
Total Federal Government	\$ 125,793	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 22,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 104,208
Contracted Services	156,000	0	0	0	0	0
<u>Other</u>						
Other	209,984	0	0	0	0	0
Total Other Governments and Citizens Groups	\$ 387,984	\$ 0	\$ 0	\$ 0	\$ 0	\$ 104,208
Total	\$ 9,380,877	\$ 576,028	\$ 38,450	\$ 504,799	\$ 3,335,583	\$ 2,212,624

(Continued)

Exhibit J-5

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

	<u>Debt Service</u>	
	<u>Fund</u>	
	Rural	
	Debt	
	Service	Total
<u>Local Taxes</u>		
<u>County Property Taxes</u>		
Current Property Tax	\$ 0	\$ 5,823,744
Trustee's Collections - Prior Year	0	216,033
Circuit Clerk/Clerk and Master Collections - Prior Years	0	63,861
Interest and Penalty	0	36,257
Payments in-Lieu-of Taxes - Local Utilities	0	99,779
<u>County Local Option Taxes</u>		
Local Option Sales Tax	275,290	405,290
Hotel/Motel Tax	0	156,638
Wheel Tax	0	938,002
Litigation Tax - General	0	168,867
Litigation Tax - Jail, Workhouse, or Courthouse	0	61,511
Business Tax	0	377,553
Mixed Drink Tax	0	3,831
<u>Statutory Local Taxes</u>		
Bank Excise Tax	0	62,081
Wholesale Beer Tax	0	82,788
Interstate Telecommunications Tax	287	1,577
Total Local Taxes	<u>\$ 275,577</u>	<u>\$ 8,497,812</u>
<u>Licenses and Permits</u>		
<u>Permits</u>		
Beer Permits	\$ 0	\$ 1,045
Total Licenses and Permits	<u>\$ 0</u>	<u>\$ 1,045</u>

(Continued)

Exhibit J-5

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

	<u>Debt Service</u>	
	<u>Fund</u>	
	Rural Debt Service	Total
<u>Fines, Forfeitures, and Penalties</u>		
<u>Circuit Court</u>		
Fines	\$ 0	\$ 44,055
Officers Costs	0	3,619
Drug Control Fines	0	10,298
DUI Treatment Fines	0	855
Data Entry Fee - Circuit Court	0	8,795
<u>General Sessions Court</u>		
Fines	0	90,748
Officers Costs	0	48,040
Game and Fish Fines	0	647
Drug Control Fines	0	6,102
Drug Court Fees	0	5,679
Jail Fees	0	80,854
DUI Treatment Fines	0	10,735
<u>Juvenile Court</u>		
Fines	0	1,823
<u>Chancery Court</u>		
Officers Costs	0	133
Data Entry Fee - Chancery Court	0	2,011
<u>Judicial District Drug Program</u>		
Drug Task Force Forfeitures and Seizures	0	31,697
Courtroom Security Fee	0	153,422
Total Fines, Forfeitures, and Penalties	<u>\$ 0</u>	<u>\$ 499,513</u>

(Continued)

Exhibit J-5

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

	<u>Debt Service</u> <u>Fund</u>	
	Rural Debt Service	Total
<u>Charges for Current Services</u>		
<u>General Service Charges</u>		
Surcharge - Waste Tire Disposal	\$ 0	\$ 20,608
Work Release Charges for Board	0	15,240
<u>Fees</u>		
Copy Fees	0	68
Telephone Commissions	0	36,262
Constitutional Officers' Fees and Commissions	0	504,799
Data Processing Fee - Register	0	8,776
Data Processing Fee - Sheriff	0	13,183
Sexual Offender Registration Fee - Sheriff	0	4,640
Data Processing Fee - County Clerk	0	15,127
Total Charges for Current Services	<u>\$ 0</u>	<u>\$ 618,703</u>
<u>Other Local Revenues</u>		
<u>Recurring Items</u>		
Investment Income	\$ 3,000	\$ 89,926
Lease/Rentals	0	28,900
Sale of Materials and Supplies	0	8,780
Commissary Sales	0	97,870
Sale of Recycled Materials	0	30,853
Miscellaneous Refunds	0	268,767
<u>Nonrecurring Items</u>		
Sale of Equipment	0	3,670
<u>Other Local Revenues</u>		
Other Local Revenues	0	12,282
Total Other Local Revenues	<u>\$ 3,000</u>	<u>\$ 541,048</u>

(Continued)

Exhibit J-5

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

	<u>Debt Service</u> <u>Fund</u>	
	Rural Debt Service	Total
<u>Fees Received From County Officials</u>		
<u>Excess Fees</u>		
County Clerk	\$ 0	\$ 246,000
Circuit Court Clerk	0	354,243
Trustee	0	117,239
<u>Fees In-Lieu-of Salary</u>		
Clerk and Master	0	89,609
Register	0	106,957
Sheriff	0	16,089
Total Fees Received From County Officials	<u>\$ 0</u>	<u>\$ 930,137</u>
<u>State of Tennessee</u>		
<u>General Government Grants</u>		
Juvenile Services Program	\$ 0	\$ 13,545
On-behalf Contributions for OPEB	0	300
<u>Public Works Grants</u>		
State Aid Program	0	1,188,089
Litter Program	0	23,920
<u>Other State Revenues</u>		
Income Tax	0	49,771
Beer Tax	0	18,488
Alcoholic Beverage Tax	0	65,878
Contracted Prisoner Boarding	0	1,008,459
Gasoline and Motor Fuel Tax	0	1,876,190
Petroleum Special Tax	0	20,037
Registrar's Salary Supplement	0	32,366
Other State Grants	0	280,616

(Continued)

Exhibit J-5

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

	<u>Debt Service</u> <u>Fund</u>	
	Rural Debt Service	Total
<u>State of Tennessee (Cont.)</u>		
<u>Other State Revenues (Cont.)</u>		
Other State Revenues	\$ 0	\$ 43,036
Total State of Tennessee	<u>\$ 0</u>	<u>\$ 4,620,695</u>
<u>Federal Government</u>		
<u>Federal Through State</u>		
Community Development	\$ 0	\$ 29,825
Civil Defense Reimbursement	0	70,935
Other Federal through State	0	19,600
<u>Direct Federal Revenue</u>		
Other Direct Federal Revenue	0	5,433
Total Federal Government	<u>\$ 0</u>	<u>\$ 125,793</u>
<u>Other Governments and Citizens Groups</u>		
<u>Other Governments</u>		
Contributions	\$ 692,060	\$ 818,268
Contracted Services	0	156,000
<u>Other</u>		
Other	0	209,984
Total Other Governments and Citizens Groups	<u>\$ 692,060</u>	<u>\$ 1,184,252</u>
Total	<u>\$ 970,637</u>	<u>\$ 17,018,998</u>

Exhibit J-6

Henderson County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Henderson County School Department
For the Year Ended June 30, 2016

	<u>Special Revenue Funds</u>					Total
	General Purpose School	School Federal Projects	Central Cafeteria	School Transportation		
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 1,967,275	\$ 0	\$ 0	\$ 908,226	\$	2,875,501
Trustee's Collections - Prior Year	72,235	0	0	33,331		105,566
Circuit Clerk/Clerk and Master Collections - Prior Years	21,198	0	0	9,830		31,028
Interest and Penalty	12,154	0	0	5,618		17,772
Payments in-Lieu-of Taxes - T.V.A.	434	0	0	31		465
Payments in-Lieu-of Taxes - Local Utilities	33,071	0	0	15,365		48,436
<u>County Local Option Taxes</u>						
Local Option Sales Tax	2,976,969	0	0	0		2,976,969
Wheel Tax	166,882	0	0	0		166,882
Mixed Drink Tax	3,161	0	0	0		3,161
<u>Statutory Local Taxes</u>						
Bank Excise Tax	20,512	0	0	9,579		30,091
Interstate Telecommunications Tax	1,924	0	0	0		1,924
Total Local Taxes	\$ 5,275,815	\$ 0	\$ 0	\$ 981,980	\$	6,257,795
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 1,803	\$ 0	\$ 0	\$ 0	\$	1,803
<u>Permits</u>						
Other Permits	311	0	0	0		311
Total Licenses and Permits	\$ 2,114	\$ 0	\$ 0	\$ 0	\$	2,114

(Continued)

Exhibit J-6

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

	<u>Special Revenue Funds</u>					Total
	General Purpose School	School Federal Projects	Central Cafeteria	School Transpor - tation		
<u>Charges for Current Services</u>						
<u>Education Charges</u>						
Tuition - Regular Day Students	\$ 2,400	\$ 0	\$ 0	\$ 0	\$ 0	2,400
Contract for Instructional Services with Other LEA's	286,400	0	0	0	0	286,400
Receipts from Individual Schools	0	0	558,239	0	0	558,239
Total Charges for Current Services	<u>\$ 288,800</u>	<u>\$ 0</u>	<u>\$ 558,239</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>847,039</u>
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 8,647	\$ 0	\$ 0	8,647
Lease/Rentals	5,165	0	0	0	0	5,165
E-Rate Funding	15,605	0	0	0	0	15,605
Miscellaneous Refunds	81,940	0	253	4,285	0	86,478
<u>Nonrecurring Items</u>						
Contributions and Gifts	6,777	0	0	0	0	6,777
<u>Other Local Revenues</u>						
Other Local Revenues	3,472	0	0	0	0	3,472
Total Other Local Revenues	<u>\$ 112,959</u>	<u>\$ 0</u>	<u>\$ 8,900</u>	<u>\$ 4,285</u>	<u>\$ 0</u>	<u>126,144</u>
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
On-behalf Contributions for OPEB	\$ 108,662	\$ 0	\$ 0	\$ 0	\$ 0	108,662
<u>State Education Funds</u>						
Basic Education Program	19,997,185	0	0	0	0	19,997,185
Early Childhood Education	505,285	0	0	0	0	505,285
School Food Service	20,353	0	0	0	0	20,353

(Continued)

Exhibit J-6

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

	<u>Special Revenue Funds</u>					Total
	General Purpose School	School Federal Projects	Central Cafeteria	School Transpor - tation		
<u>State of Tennessee (Cont.)</u>						
<u>State Education Funds (Cont.)</u>						
Driver Education	\$ 18,168	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,168
Other State Education Funds	128,897	0	0	0	0	128,897
Career Ladder Program	124,269	0	0	0	0	124,269
<u>Other State Revenues</u>						
State Revenue Sharing - T.V.A.	864,648	0	0	0	0	864,648
Other State Grants	44,317	0	0	0	0	44,317
Total State of Tennessee	<u>\$ 21,811,784</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 21,811,784</u>
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,074,431	\$ 0	\$ 0	\$ 1,074,431
USDA - Commodities	0	0	106,771	0	0	106,771
Breakfast	0	0	461,425	0	0	461,425
USDA - Other	0	0	38,292	0	0	38,292
Adult Education State Grant Program	255,245	0	0	0	0	255,245
Vocational Education - Basic Grants to States	0	69,052	0	0	0	69,052
Title I Grants to Local Education Agencies	0	802,440	0	0	0	802,440
Special Education - Grants to States	53,039	834,407	0	0	0	887,446
Special Education Preschool Grants	0	22,585	0	0	0	22,585
English Language Acquisition Grants	0	564	0	0	0	564
Rural Education	0	77,621	0	0	0	77,621
Eisenhower Professional Development State Grants	0	122,477	0	0	0	122,477
Other Federal through State	0	114,434	0	0	0	114,434

(Continued)

Exhibit J-6

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

	<u>Special Revenue Funds</u>				Total
	General Purpose School	School Federal Projects	Central Cafeteria	School Transpor - tation	
<u>Federal Government (Cont.)</u>					
<u>Direct Federal Revenue</u>					
ROT C Reimbursement	\$ 50,841	\$ 0	\$ 0	\$ 0	\$ 50,841
Total Federal Government	<u>\$ 359,125</u>	<u>\$ 2,043,580</u>	<u>\$ 1,680,919</u>	<u>\$ 0</u>	<u>\$ 4,083,624</u>
 Total	 <u>\$ 27,850,597</u>	 <u>\$ 2,043,580</u>	 <u>\$ 2,248,058</u>	 <u>\$ 986,265</u>	 <u>\$ 33,128,500</u>

Exhibit J-7

Henderson County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2016

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	84,000	
Social Security		5,052	
Medical Insurance		7,248	
Employer Medicare		1,181	
Audit Services		8,331	
Total County Commission			\$ 105,812

Board of Equalization

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

County Mayor/Executive

County Official/Administrative Officer	\$	78,358	
Secretary(ies)		22,472	
Social Security		5,796	
Pensions		8,462	
Medical Insurance		3,624	
Unemployment Compensation		112	
Employer Medicare		1,356	
Dues and Memberships		480	
Postal Charges		345	
Travel		2,562	
Office Supplies		1,653	
Other Charges		3,777	
Total County Mayor/Executive			128,997

County Attorney

Social Security	\$	496	
Employer Medicare		116	
Legal Services		8,615	
Total County Attorney			9,227

Election Commission

County Official/Administrative Officer	\$	61,059	
Clerical Personnel		27,850	
Part-time Personnel		4,196	
Overtime Pay		347	
Election Commission		1,860	
Election Workers		7,550	
In-service Training		2,938	
Social Security		5,514	
Pensions		7,499	
Medical Insurance		3,624	
Unemployment Compensation		169	
Employer Medicare		1,289	
Communication		6,048	
Data Processing Services		2,900	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Dues and Memberships	\$	175	
Janitorial Services		660	
Legal Notices, Recording, and Court Costs		1,530	
Maintenance and Repair Services - Office Equipment		276	
Postal Charges		1,950	
Printing, Stationery, and Forms		3,171	
Rentals		4,875	
Other Contracted Services		13,534	
Office Supplies		3,850	
Other Supplies and Materials		1,546	
Office Equipment		5,028	
Total Election Commission			\$ 169,438

Register of Deeds

County Official/Administrative Officer	\$	69,343	
Secretary(ies)		35,098	
Social Security		6,475	
Pensions		8,777	
Unemployment Compensation		126	
Employer Medicare		1,514	
Communication		1,847	
Data Processing Services		16,099	
Dues and Memberships		639	
Postal Charges		200	
Office Supplies		4,271	
Other Charges		200	
Total Register of Deeds			144,589

County Buildings

Supervisor/Director	\$	39,868	
Custodial Personnel		76,432	
Social Security		6,095	
Pensions		8,201	
Medical Insurance		10,877	
Unemployment Compensation		639	
Employer Medicare		1,425	
Communication		34,980	
Licenses		566	
Maintenance Agreements		50,164	
Maintenance and Repair Services - Buildings		599,291	
Maintenance and Repair Services - Equipment		2,443	
Maintenance and Repair Services - Vehicles		1,616	
Pest Control		5,834	
Postal Charges		5,867	
Custodial Supplies		2,305	
Gasoline		1,402	
Utilities		289,264	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Other Charges	\$	4,970	
Building Improvements		93,515	
Land		404,095	
Total County Buildings			\$ 1,639,849

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	61,071	
Accountants/Bookkeepers		149,393	
Social Security		12,265	
Pensions		16,244	
Medical Insurance		15,255	
Unemployment Compensation		787	
Employer Medicare		2,868	
Communication		3,210	
Data Processing Services		10,345	
Postal Charges		1,494	
Printing, Stationery, and Forms		2,946	
Travel		632	
Office Supplies		2,971	
Other Supplies and Materials		539	
Premiums on Corporate Surety Bonds		50	
Other Charges		414	
Office Equipment		5,130	
Total Accounting and Budgeting			285,614

Property Assessor's Office

County Official/Administrative Officer	\$	67,843	
Clerical Personnel		103,782	
Social Security		9,966	
Pensions		14,469	
Medical Insurance		10,872	
Unemployment Compensation		449	
Employer Medicare		2,331	
Communication		897	
Contracts with Private Agencies		13,171	
Data Processing Services		10,000	
Dues and Memberships		1,700	
Maintenance and Repair Services - Vehicles		665	
Postal Charges		608	
Travel		151	
Other Contracted Services		2,682	
Gasoline		999	
Office Supplies		1,631	
Other Charges		108	
Office Equipment		4,026	
Total Property Assessor's Office			246,350

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office

Communication	\$	1,542	
Data Processing Services		12,532	
Dues and Memberships		529	
Postal Charges		4,767	
Printing, Stationery, and Forms		1,222	
Other Contracted Services		4,500	
Office Supplies		1,953	
Office Equipment		724	
Total County Trustee's Office			\$ 27,769

County Clerk's Office

Communication	\$	2,774	
Data Processing Services		16,130	
Dues and Memberships		600	
Maintenance Agreements		2,000	
Postal Charges		8,649	
Office Supplies		1,991	
Office Equipment		11,083	
Total County Clerk's Office			43,227

Administration of Justice

Circuit Court

Other Salaries and Wages	\$	7,800	
Jury and Witness Expense		7,850	
Social Security		467	
Pensions		661	
Unemployment Compensation		29	
Employer Medicare		109	
Communication		1,830	
Dues and Memberships		650	
Legal Notices, Recording, and Court Costs		169	
Maintenance Agreements		156	
Maintenance and Repair Services - Office Equipment		250	
Postal Charges		3,390	
Office Supplies		14,513	
Total Circuit Court			37,874

General Sessions Court

Judge(s)	\$	122,515	
Secretary(ies)		26,448	
Social Security		8,602	
Pensions		12,495	
Medical Insurance		7,248	
Unemployment Compensation		97	
Employer Medicare		2,012	
Communication		237	
Contracts with Private Agencies		26,956	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

Other Contracted Services	\$	18,000	
Office Supplies		488	
Office Equipment		4,519	
Total General Sessions Court			\$ 229,617

Drug Court

Drugs and Medical Supplies	\$	9,278	
Total Drug Court			9,278

Chancery Court

County Official/Administrative Officer	\$	76,124	
Clerical Personnel		45,773	
Social Security		7,253	
Pensions		9,800	
Medical Insurance		3,624	
Unemployment Compensation		147	
Employer Medicare		1,696	
Communication		2,373	
Data Processing Services		7,120	
Dues and Memberships		600	
Legal Notices, Recording, and Court Costs		3,703	
Maintenance Agreements		235	
Postal Charges		7,230	
Office Supplies		3,112	
Total Chancery Court			168,790

Juvenile Court

Guidance Personnel	\$	33,158	
In-service Training		393	
Social Security		1,636	
Pensions		2,808	
Medical Insurance		3,625	
Unemployment Compensation		121	
Employer Medicare		383	
Communication		953	
Contracts with Other Public Agencies		101	
Travel		1,203	
Office Supplies		450	
Total Juvenile Court			44,831

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	74,628	
Deputy(ies)		1,065,497	
Salary Supplements		15,645	
Clerical Personnel		70,866	
Overtime Pay		20,140	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

In-service Training	\$	16,873	
Social Security		73,776	
Pensions		104,446	
Medical Insurance		74,504	
Unemployment Compensation		4,298	
Employer Medicare		17,459	
Communication		21,108	
Dues and Memberships		2,300	
Evaluation and Testing		3,091	
Legal Notices, Recording, and Court Costs		251	
Maintenance Agreements		474	
Maintenance and Repair Services - Equipment		10,496	
Maintenance and Repair Services - Vehicles		28,809	
Postal Charges		4,116	
Travel		2,997	
Other Contracted Services		3,654	
Gasoline		70,283	
Office Supplies		7,728	
Tires and Tubes		21,148	
Uniforms		7,266	
Other Charges		5,472	
Law Enforcement Equipment		5,000	
Motor Vehicles		98,272	
Office Equipment		24,216	
Other Equipment		1,366	
Total Sheriff's Department			\$ 1,856,179

Administration of the Sexual Offender Registry

Other Charges	\$	1,500	
Total Administration of the Sexual Offender Registry			1,500

Workhouse

Guards	\$	972,909	
Clerical Personnel		29,555	
Custodial Personnel		49,948	
Overtime Pay		13,655	
Other Salaries and Wages		46,080	
In-service Training		2,292	
Social Security		65,500	
Pensions		93,500	
Medical Insurance		71,053	
Unemployment Compensation		5,660	
Employer Medicare		15,100	
Evaluation and Testing		1,016	
Maintenance Agreements		2,988	
Maintenance and Repair Services - Equipment		13,394	
Medical and Dental Services		349,806	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Workhouse (Cont.)

Custodial Supplies	\$	23,917	
Drugs and Medical Supplies		10,000	
Food Supplies		251,641	
Office Supplies		989	
Uniforms		5,348	
Other Charges		16,906	
Total Workhouse			\$ 2,041,257

Fire Prevention and Control

County Official/Administrative Officer	\$	58,787	
Assistant(s)		30,314	
Part-time Personnel		13,022	
Educational Incentive - Other County Employees		600	
In-service Training		2,385	
Social Security		5,456	
Pensions		7,590	
Medical Insurance		3,624	
Unemployment Compensation		421	
Employer Medicare		1,276	
Communication		2,741	
Dues and Memberships		370	
Maintenance and Repair Services - Buildings		140	
Maintenance and Repair Services - Equipment		14,872	
Maintenance and Repair Services - Vehicles		19,072	
Postal Charges		533	
Travel		421	
Gasoline		7,892	
Instructional Supplies and Materials		530	
Office Supplies		1,181	
Uniforms		372	
Other Supplies and Materials		261	
Trustee's Commission		761	
Building Improvements		430,876	
Other Equipment		58,697	
Total Fire Prevention and Control			662,194

Civil Defense

Other Salaries and Wages	\$	67,609	
In-service Training		803	
Social Security		3,944	
Pensions		2,968	
Medical Insurance		3,624	
Unemployment Compensation		248	
Employer Medicare		922	
Communication		4,771	
Contracts with Private Agencies		9,999	
Maintenance and Repair Services - Buildings		4,821	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense (Cont.)

Maintenance and Repair Services - Vehicles	\$	164	
Other Contracted Services		555	
Gasoline		1,226	
Office Supplies		847	
Other Equipment		40,047	
Total Civil Defense			\$ 142,548

Rescue Squad

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

County Coroner/Medical Examiner

Other Per Diem and Fees	\$	41,275	
Total County Coroner/Medical Examiner			41,275

Other Public Safety

County Official/Administrative Officer	\$	42,830	
Dispatchers/Radio Operators		262,200	
Clerical Personnel		37,498	
Part-time Personnel		46,567	
In-service Training		1,618	
Social Security		23,703	
Pensions		29,110	
Medical Insurance		74,010	
Unemployment Compensation		1,744	
Employer Medicare		5,543	
Maintenance and Repair Services - Equipment		9,926	
Total Other Public Safety			534,749

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	5,400	
Other Salaries and Wages		8,474	
Social Security		525	
Unemployment Compensation		95	
Employer Medicare		123	
Communication		2,877	
Legal Notices, Recording, and Court Costs		200	
Maintenance and Repair Services - Buildings		56,422	
Postal Charges		381	
Travel		888	
Other Contracted Services		170	
Custodial Supplies		634	
Drugs and Medical Supplies		1,035	
Office Supplies		2,388	
Other Charges		13,306	
Total Local Health Center			92,918

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Alcohol and Drug Programs

Contributions	\$ 7,500	
Total Alcohol and Drug Programs		\$ 7,500

Other Local Health Services

Contributions	\$ 7,000	
Total Other Local Health Services		7,000

Appropriation to State

Contracts with Government Agencies	\$ 3,075	
Total Appropriation to State		3,075

Waste Pickup

Supervisor/Director	\$ 4,870	
Part-time Personnel	2,500	
Social Security	155	
Pensions	225	
Unemployment Compensation	55	
Employer Medicare	36	
Gasoline	4,977	
Instructional Supplies and Materials	3,178	
Other Supplies and Materials	745	
Other Charges	7,068	
Total Waste Pickup		23,809

Social, Cultural, and Recreational Services

Adult Activities

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

Senior Citizens Assistance

Contributions	\$ 17,500	
Total Senior Citizens Assistance		17,500

Libraries

Contributions	\$ 44,000	
Total Libraries		44,000

Other Social, Cultural, and Recreational

Contributions	\$ 22,161	
Total Other Social, Cultural, and Recreational		22,161

Agriculture and Natural Resources

Agricultural Extension Service

Assistant(s)	\$ 22,230
Supervisor/Director	14,768
Secretary(ies)	6,800
Other Salaries and Wages	8,500

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Agricultural Extension Service (Cont.)

Social Security	\$	2,200	
Pensions		4,300	
Unemployment Compensation		119	
Employer Medicare		705	
Communication		6,361	
Maintenance Agreements		2,000	
Postal Charges		192	
Travel		1,200	
Office Supplies		911	
Total Agricultural Extension Service			\$ 70,286

Soil Conservation

Secretary(ies)	\$	16,332	
Social Security		1,013	
Unemployment Compensation		140	
Employer Medicare		237	
Contributions		1,000	
Dues and Memberships		300	
Office Supplies		250	
Total Soil Conservation			19,272

Flood Control

Other Contracted Services	\$	20,338	
Total Flood Control			20,338

Other Operations

Tourism

Communication	\$	1,425	
Contributions		12,250	
Other Charges		2,499	
Total Tourism			16,174

Industrial Development

Communication	\$	1,400	
Other Charges		650	
Total Industrial Development			2,050

Veterans' Services

Supervisor/Director	\$	43,400	
Secretary(ies)		11,364	
Social Security		3,301	
Pensions		3,676	
Medical Insurance		3,624	
Unemployment Compensation		285	
Employer Medicare		772	
Communication		376	
Postal Charges		7	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services (Cont.)

Travel	\$	191	
Office Supplies		874	
Other Charges		735	
Total Veterans' Services			\$ 68,605

Other Charges

Building and Contents Insurance	\$	60,000	
Liability Insurance		85,000	
Vehicle and Equipment Insurance		101,000	
Workers' Compensation Insurance		85,000	
Total Other Charges			331,000

Employee Benefits

Medical Insurance	\$	17,000	
On-behalf Payments to OPEB		300	
Total Employee Benefits			17,300

Miscellaneous

Part-time Personnel	\$	1,738	
Dues and Memberships		9,116	
Legal Notices, Recording, and Court Costs		370	
Maintenance Agreements		2,679	
Office Supplies		2,317	
Road Signs		160	
Premiums on Corporate Surety Bonds		350	
Trustee's Commission		107,542	
Other Charges		14,049	
Airport Improvement		73,816	
Total Miscellaneous			212,137

Principal on Debt

General Government

Principal on Notes	\$	70,000	
Total General Government			70,000

Interest on Debt

General Government

Interest on Notes	\$	6,300	
Total General Government			6,300

Total General Fund \$ 9,644,496

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Education/Information

Supervisor/Director	\$	61,908	
Part-time Personnel		116,462	

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Education/Information (Cont.)

Overtime Pay	\$	1,386	
Other Salaries and Wages		99	
Social Security		10,889	
Pensions		5,671	
Medical Insurance		7,260	
Unemployment Compensation		883	
Employer Medicare		2,547	
Communication		7,771	
Contracts with Private Agencies		245,588	
Legal Notices, Recording, and Court Costs		1,012	
Maintenance and Repair Services - Buildings		1,298	
Maintenance and Repair Services - Equipment		39,891	
Maintenance and Repair Services - Vehicles		5,663	
Travel		1,192	
Custodial Supplies		2,791	
Gasoline		227	
Office Supplies		822	
Tires and Tubes		1,654	
Utilities		11,366	
Other Supplies and Materials		500	
Trustee's Commission		9,879	
Landfill Closure/Postclosure Care Costs		3,500	
Other Charges		1,947	
Motor Vehicles		11,250	
Total Sanitation Education/Information			\$ 553,456

Total Solid Waste/Sanitation Fund \$ 553,456

Drug Control Fund

Public Safety

Drug Enforcement

In-service Training	\$	779	
Confidential Drug Enforcement Payments		6,000	
Maintenance and Repair Services - Vehicles		325	
Towing Services		3,695	
Office Supplies		94	
Uniforms		7,661	
Trustee's Commission		107	
Other Charges		3,206	
Motor Vehicles		29,110	
Office Equipment		983	
Total Drug Enforcement			\$ 51,960

Total Drug Control Fund 51,960

(Continued)

Exhibit J-7

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

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$ 248,429	
Total County Trustee's Office		\$ 248,429

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 345,457	
Total County Clerk's Office		345,457

Administration of Justice

Circuit Court Clerk

Constitutional Officers' Operating Expenses	\$ 425,299	
Total Circuit Court Clerk		425,299

Chancery Court

Constitutional Officers' Operating Expenses	\$ 14,940	
Total Chancery Court		<u>14,940</u>

Total Constitutional Officers - Fees Fund		\$ 1,034,125
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Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 74,628	
Secretary(ies)	54,501	
Overtime Pay	441	
Social Security	9,060	
Pensions	10,900	
Medical Insurance	8,071	
Unemployment Compensation	489	
Employer Medicare	796	
Dues and Memberships	2,658	
Postal Charges	15	
Office Supplies	1,922	
Other Charges	1,208	
Office Equipment	<u>2,482</u>	
Total Administration		\$ 167,171

Highway and Bridge Maintenance

Equipment Operators	\$ 253,316
Truck Drivers	158,842
Laborers	107,433
Overtime Pay	6,808
Social Security	32,407
Pensions	38,959
Medical Insurance	74,184
Unemployment Compensation	6,373
Employer Medicare	7,579
Evaluation and Testing	50

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Other Contracted Services	\$	34,979	
Asphalt - Cold Mix		59,652	
Asphalt - Liquid		416,336	
Crushed Stone		146,770	
Pipe		35,605	
Road Signs		17,376	
Wood Products		18,797	
Other Supplies and Materials		58	
Total Highway and Bridge Maintenance			\$ 1,415,524

Operation and Maintenance of Equipment

Foremen	\$	43,153	
Mechanic(s)		27,671	
Overtime Pay		495	
Social Security		4,411	
Pensions		1,973	
Medical Insurance		17,615	
Unemployment Compensation		542	
Employer Medicare		1,032	
Maintenance and Repair Services - Equipment		7,944	
Diesel Fuel		57,866	
Equipment and Machinery Parts		115,120	
Gasoline		41,759	
Lubricants		5,772	
Tires and Tubes		39,819	
Other Supplies and Materials		4,021	
Other Equipment		610	
Total Operation and Maintenance of Equipment			369,803

Other Charges

Communication	\$	11,186	
Maintenance and Repair Services - Buildings		955	
Pest Control		150	
Custodial Supplies		5,085	
Utilities		9,524	
Liability Insurance		37,306	
Trustee's Commission		23,580	
Workers' Compensation Insurance		63,311	
Total Other Charges			151,097

Employee Benefits

Employee and Dependent Insurance	\$	23,164	
Total Employee Benefits			23,164

Capital Outlay

Highway Equipment	\$	9,798	
Motor Vehicles		93,894	
State Aid Projects		1,423,432	
Total Capital Outlay			1,527,124

Total Highway/Public Works Fund \$ 3,653,883
(Continued)

Exhibit J-7

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

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 443,350	
Total General Government		\$ 443,350

Education

Principal on Bonds	\$ 1,456,650	
Principal on Other Loans	<u>82,572</u>	
Total Education		1,539,222

Interest on Debt

General Government

Interest on Bonds	\$ 490,001	
Total General Government		490,001

Education

Interest on Bonds	\$ 166,885	
Interest on Other Loans	<u>21,636</u>	
Total Education		188,521

Other Debt Service

General Government

Fiscal Agent Charges	\$ 1,470	
Trustee's Commission	<u>32,209</u>	
Total General Government		33,679

Education

Fiscal Agent Charges	\$ 1,025	
Total Education		<u>1,025</u>

Total General Debt Service Fund		\$ 2,695,798
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Rural Debt Service Fund

Principal on Debt

Education

Principal on Bonds	\$ 560,000	
Total Education		\$ 560,000

Interest on Debt

Education

Interest on Bonds	\$ 132,060	
Total Education		132,060

Other Debt Service

Education

Fiscal Agent Charges	\$ 1,002	
Trustee's Commission	<u>4,178</u>	
Total Education		<u>5,180</u>

Total Rural Debt Service Fund		<u>697,240</u>
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Total Governmental Funds - Primary Government		<u>\$ 18,330,958</u>
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Exhibit J-8

Henderson County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Henderson County School Department
For the Year Ended June 30, 2016

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 9,350,469	
Career Ladder Program	58,000	
Career Ladder Extended Contracts	33,000	
Homebound Teachers	16,006	
Clerical Personnel	408,305	
Educational Assistants	236,884	
Other Salaries and Wages	428,948	
Non-certified Substitute Teachers	218,000	
Social Security	618,252	
Pensions	922,062	
Medical Insurance	1,139,514	
Employer Medicare	146,858	
Tuition	69,991	
Other Contracted Services	19,997	
Instructional Supplies and Materials	483,541	
Textbooks	517,805	
Other Charges	99,500	
Regular Instruction Equipment	794,831	
Total Regular Instruction Program		\$ 15,561,963

Alternative Instruction Program

Educational Assistants	\$ 28,627	
Social Security	1,775	
Pensions	1,513	
Medical Insurance	3,200	
Employer Medicare	415	
Instructional Supplies and Materials	963	
Other Equipment	3,500	
Total Alternative Instruction Program		39,993

Special Education Program

Teachers	\$ 1,391,231	
Career Ladder Program	12,750	
Homebound Teachers	4,000	
Educational Assistants	293,013	
Speech Pathologist	107,582	
Other Salaries and Wages	19,604	
Non-certified Substitute Teachers	67,234	
Social Security	101,432	
Pensions	156,528	
Medical Insurance	214,350	
Employer Medicare	24,723	
Contracts with Private Agencies	65,187	
Maintenance and Repair Services - Equipment	1,500	
Instructional Supplies and Materials	15,023	
Special Education Equipment	75,039	
Total Special Education Program		2,549,196

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Teachers	\$	783,877	
Career Ladder Program		13,000	
Career Ladder Extended Contracts		3,000	
Non-certified Substitute Teachers		18,270	
Social Security		45,981	
Pensions		71,991	
Medical Insurance		89,285	
Employer Medicare		10,754	
Instructional Supplies and Materials		41,202	
Other Supplies and Materials		33,000	
Vocational Instruction Equipment		45,000	
Total Vocational Education Program			\$ 1,155,360

Adult Education Program

Teachers	\$	41,500	
Clerical Personnel		19,943	
Other Salaries and Wages		27,043	
Social Security		3,949	
Pensions		95	
Employer Medicare		1,283	
Other Contracted Services		2,322	
Instructional Supplies and Materials		2,000	
Other Supplies and Materials		15,000	
Other Charges		1,000	
Total Adult Education Program			114,135

Support Services

Attendance

Supervisor/Director	\$	64,286	
Career Ladder Program		1,000	
Social Security		3,717	
Pensions		5,902	
Medical Insurance		10,125	
Employer Medicare		869	
Travel		1,694	
Other Supplies and Materials		805	
Attendance Equipment		2,360	
Total Attendance			90,758

Health Services

Career Ladder Program	\$	1,000
Medical Personnel		254,097
Other Salaries and Wages		67,736
Social Security		18,780
Pensions		27,736
Medical Insurance		29,905

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services (Cont.)

Employer Medicare	\$	4,392	
Travel		2,654	
Instructional Supplies and Materials		3,840	
Other Supplies and Materials		6,476	
In Service/Staff Development		2,679	
Total Health Services			\$ 419,295

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		448,492	
Other Salaries and Wages		80,369	
Social Security		27,238	
Pensions		41,598	
Medical Insurance		42,661	
Employer Medicare		6,370	
Evaluation and Testing		22,452	
Maintenance and Repair Services - Equipment		117	
Travel		9,734	
Other Contracted Services		5,137	
Other Supplies and Materials		1,000	
Other Charges		45,565	
Other Equipment		15,000	
Total Other Student Support			746,733

Regular Instruction Program

Supervisor/Director	\$	237,721	
Career Ladder Program		8,000	
Librarians		450,989	
Instructional Computer Personnel		73,526	
Other Salaries and Wages		147,588	
Social Security		52,544	
Pensions		82,481	
Medical Insurance		115,000	
Employer Medicare		12,289	
Travel		25,347	
Other Contracted Services		16,540	
Library Books/Media		37,000	
Other Supplies and Materials		1,492	
In Service/Staff Development		36,002	
Other Charges		4,932	
Other Equipment		782	
Total Regular Instruction Program			1,302,233

Alternative Instruction Program

Supervisor/Director	\$	56,581	
Social Security		3,416	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Alternative Instruction Program (Cont.)

Pensions	\$	5,115	
Medical Insurance		3,500	
Employer Medicare		799	
Instructional Supplies and Materials		1,000	
Other Supplies and Materials		312	
Other Charges		416	
Total Alternative Instruction Program			\$ 71,139

Special Education Program

Supervisor/Director	\$	72,926	
Career Ladder Program		1,000	
Assessment Personnel		53,000	
Other Salaries and Wages		53,400	
Social Security		10,610	
Pensions		16,432	
Medical Insurance		16,176	
Employer Medicare		2,481	
Communication		4,011	
Travel		8,992	
Other Supplies and Materials		5,185	
In Service/Staff Development		6,027	
Other Charges		990	
Other Equipment		3,478	
Total Special Education Program			254,708

Vocational Education Program

Supervisor/Director	\$	73,258	
Career Ladder Program		2,000	
Career Ladder Extended Contracts		3,000	
Social Security		4,669	
Pensions		7,074	
Medical Insurance		4,218	
Employer Medicare		1,092	
Travel		5,750	
Other Supplies and Materials		600	
Other Charges		1,444	
Total Vocational Education Program			103,105

Adult Programs

Supervisor/Director	\$	75,478	
Social Security		4,497	
Pensions		6,823	
Medical Insurance		4,397	
Employer Medicare		1,052	
Travel		2,000	
In Service/Staff Development		5,000	
Total Adult Programs			99,247

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Programs

Other Salaries and Wages	\$	40,000	
Social Security		2,566	
Employer Medicare		600	
On-behalf Payments to OPEB		108,662	
Communication		2,426	
Evaluation and Testing		450	
Travel		877	
Total Other Programs			\$ 155,581

Board of Education

Custodial Personnel	\$	300	
Board and Committee Members Fees		44,400	
Social Security		2,460	
Medical Insurance		14,637	
Unemployment Compensation		13,778	
Employer Medicare		650	
Audit Services		19,000	
Dues and Memberships		12,300	
Legal Services		7,877	
Travel		3,836	
Other Contracted Services		4,200	
Office Supplies		3,094	
Trustee's Commission		119,362	
Workers' Compensation Insurance		226,148	
In Service/Staff Development		3,044	
Other Charges		28,135	
Total Board of Education			503,221

Director of Schools

County Official/Administrative Officer	\$	105,000	
Career Ladder Program		1,000	
Social Security		6,293	
Pensions		9,582	
Medical Insurance		8,349	
Employer Medicare		1,472	
Communication		41,885	
Dues and Memberships		2,845	
Postal Charges		1,659	
Travel		4,789	
Other Contracted Services		276	
Office Supplies		12,164	
Administration Equipment		5,000	
Total Director of Schools			200,314

Office of the Principal

Principals	\$	630,726	
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(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Career Ladder Program	\$	6,000	
Assistant Principals		218,438	
Social Security		50,983	
Pensions		77,307	
Medical Insurance		55,500	
Employer Medicare		11,923	
Communication		308,497	
Travel		999	
Other Supplies and Materials		16	
In Service/Staff Development		8,407	
Other Charges		2,017	
Total Office of the Principal			\$ 1,370,813

Fiscal Services

Internal Audit Personnel	\$	38,800	
Clerical Personnel		49,632	
Social Security		5,275	
Pensions		4,204	
Medical Insurance		7,519	
Employer Medicare		1,234	
Maintenance and Repair Services - Equipment		19,941	
Other Contracted Services		111,130	
Gasoline		1,172	
Office Supplies		1,904	
Total Fiscal Services			240,811

Operation of Plant

Custodial Personnel	\$	535,837	
Social Security		31,008	
Pensions		30,512	
Medical Insurance		30,000	
Employer Medicare		7,424	
Janitorial Services		141,000	
Travel		282	
Disposal Fees		21,766	
Other Contracted Services		20,457	
Custodial Supplies		138,030	
Utilities		838,799	
Building and Contents Insurance		277,759	
Other Charges		200	
Total Operation of Plant			2,073,074

Maintenance of Plant

Supervisor/Director	\$	42,512	
Maintenance Personnel		123,157	
Social Security		9,996	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Pensions	\$	14,032	
Medical Insurance		7,000	
Employer Medicare		2,338	
Maintenance and Repair Services - Buildings		172,081	
Maintenance and Repair Services - Equipment		27,343	
Maintenance and Repair Services - Vehicles		5,588	
Pest Control		15,600	
Travel		273	
Other Contracted Services		28,061	
Gasoline		11,701	
Other Supplies and Materials		4,521	
Other Charges		1,719	
Maintenance Equipment		13,746	
Total Maintenance of Plant	\$		479,668

Transportation

Bus Drivers	\$	53,277	
Social Security		3,766	
Pensions		218	
Medical Insurance		4,211	
Employer Medicare		882	
Maintenance and Repair Services - Vehicles		17,167	
Diesel Fuel		1,578	
Gasoline		70	
Transportation Equipment		263,681	
Total Transportation			344,850

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	35,196	
Clerical Personnel		22,000	
In-service Training		3,164	
Social Security		2,182	
Pensions		2,981	
Employer Medicare		510	
Dues and Memberships		750	
Travel		2,000	
Food Service Equipment		10,000	
Total Food Service			78,783

Early Childhood Education

Teachers	\$	250,055	
Educational Assistants		78,201	
Social Security		19,395	
Pensions		28,739	
Medical Insurance		25,639	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

Employer Medicare	\$	4,536	
Communication		14,559	
Travel		6,955	
Food Supplies		5,530	
Other Supplies and Materials		45,714	
Other Equipment		30,064	
Total Early Childhood Education			\$ 509,387

Capital Outlay

Regular Capital Outlay

Architects	\$	7,000	
Building Improvements		162,085	
Site Development		559,914	
Other Capital Outlay		124,236	
Total Regular Capital Outlay			853,235

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	796,268	
Total Education			796,268

Total General Purpose School Fund \$ 30,113,870

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	102,393	
Educational Assistants		311,552	
Other Salaries and Wages		117,652	
Social Security		27,735	
Pensions		37,325	
Medical Insurance		31,381	
Employer Medicare		6,486	
Instructional Supplies and Materials		37,371	
Total Regular Instruction Program			\$ 671,895

Special Education Program

Teachers	\$	75,311	
Clerical Personnel		17,850	
Educational Assistants		359,061	
Social Security		25,510	
Pensions		35,143	
Medical Insurance		28,735	
Employer Medicare		5,972	
Instructional Supplies and Materials		5,242	
Other Supplies and Materials		2,457	
Special Education Equipment		19,895	
Total Special Education Program			575,176

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Other Supplies and Materials	\$	4,681	
Other Charges		2,000	
Vocational Instruction Equipment		44,599	
Total Vocational Education Program			\$ 51,280

Support Services

Other Student Support

Other Salaries and Wages	\$	3,455	
Social Security		214	
Pensions		312	
Employer Medicare		50	
Communication		204	
Evaluation and Testing		49,046	
Travel		26,057	
Other Contracted Services		30,121	
Other Supplies and Materials		6,996	
Other Charges		7,038	
Total Other Student Support			123,493

Regular Instruction Program

Supervisor/Director	\$	79,078	
Secretary(ies)		25,333	
Other Salaries and Wages		123,281	
Social Security		13,513	
Pensions		20,439	
Medical Insurance		9,739	
Employer Medicare		3,160	
Other Supplies and Materials		300	
In Service/Staff Development		49,493	
Total Regular Instruction Program			324,336

Special Education Program

Secretary(ies)	\$	23,771	
Social Security		1,311	
Pensions		1,883	
Medical Insurance		1,620	
Employer Medicare		307	
Travel		10,852	
Other Contracted Services		58,172	
Other Supplies and Materials		2,996	
In Service/Staff Development		10,786	
Total Special Education Program			111,698

Transportation

Bus Drivers	\$	130,410	
Social Security		7,392	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Pensions	\$	4,443	
Employer Medicare		1,728	
Contracts with Parents		828	
Maintenance and Repair Services - Vehicles		5,000	
Diesel Fuel		20,318	
Total Transportation			<u>\$ 170,119</u>

Total School Federal Projects Fund \$ 2,027,997

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	766,421	
Social Security		45,341	
Pensions		57,474	
Medical Insurance		49,836	
Employer Medicare		10,604	
Communication		2,847	
Travel		586	
Food Supplies		1,101,021	
Uniforms		4,584	
USDA - Commodities		106,771	
Other Supplies and Materials		113,831	
Other Equipment		131,813	
Total Food Service			<u>\$ 2,391,129</u>

Total Central Cafeteria Fund 2,391,129

School Transportation Fund

Support Services

Board of Education

Trustee's Commission	\$	19,284	
Total Board of Education			\$ 19,284

Transportation

Supervisor/Director	\$	29,799	
Bus Drivers		45,155	
Social Security		4,647	
Pensions		2,524	
Employer Medicare		1,087	
Communication		1,119	
Contracts with Vehicle Owners		725,607	
Maintenance and Repair Services - Vehicles		8,122	
Other Contracted Services		5,691	
Diesel Fuel		93,516	
Gasoline		196	
Other Charges		8,141	
Total Transportation			<u>925,604</u>

Total School Transportation Fund 944,888

(Continued)

Exhibit J-8

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

<u>Education Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Education Capital Projects</u>		
Building Construction	\$	<u>2,071</u>
Total Education Capital Projects		\$ <u>2,071</u>
 Total Education Capital Projects Fund		 \$ <u>2,071</u>
 Total Governmental Funds - Henderson County School Department		 \$ <u><u>35,479,955</u></u>

Exhibit J-9

Henderson County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash balances - City Agency Funds
For the Year Ended June 30, 2016

	Cities - Sales Tax Fund	City School ADA - Lexington Fund	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 420,428	\$ 420,428
Trustee's Collections - Prior Year	0	13,912	13,912
Circuit/Clerk and Master Collections - Prior Years	0	4,727	4,727
Interest and Penalty	0	2,555	2,555
Payments in-Lieu-of Taxes - T.V.A.	0	15	15
Payments in-Lieu-of Taxes - Local Utilities	0	7,322	7,322
Local Option Sales Tax	3,371,195	696,330	4,067,525
Wheel Tax	0	35,802	35,802
Mixed Drink Tax	0	604	604
Bank Excise Tax	0	4,671	4,671
Interstate Telecommunications Tax	0	430	430
Marriage Licenses	0	382	382
Total Cash Receipts	<u>\$ 3,371,195</u>	<u>\$ 1,187,178</u>	<u>\$ 4,558,373</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 3,337,483	\$ 1,185,935	\$ 4,523,418
Trustee's Commission	33,712	17,167	50,879
Total Cash Disbursements	<u>\$ 3,371,195</u>	<u>\$ 1,203,102</u>	<u>\$ 4,574,297</u>
Excess of Cash Receipts			
Over (Under) Cash Disbursements	\$ 0	\$ (15,924)	\$ (15,924)
Cash Balance, July 1, 2015	0	80,996	80,996
Cash Balance, June 30, 2016	<u>\$ 0</u>	<u>\$ 65,072</u>	<u>\$ 65,072</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

Independent Auditor's 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*

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

To the County Mayor and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henderson County, Tennessee, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Henderson County's basic financial statements, and have issued our report thereon dated October 27, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Henderson County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Henderson County's internal control. Accordingly, we do not express an opinion on the effectiveness of Henderson County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to

prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness: 2016-001.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency: 2016-006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Henderson County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items: 2016-002, 2016-003, 2016-004, and 2016-005.

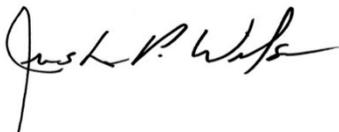
Henderson County's Responses to Findings

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

Purpose of this Report

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

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

October 27, 2016

JPW/kp



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 on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on the Schedule of
Expenditures of Federal Awards Required by the Uniform Guidance**

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

To the County Mayor and Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Henderson County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Henderson County's major federal programs for the year ended June 30, 2016. Henderson County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Henderson County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether

noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Henderson County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Henderson County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

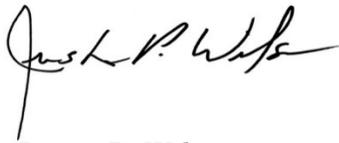
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henderson County, Tennessee, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Henderson County's basic financial statements. We issued our report thereon dated October 27, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

October 27, 2016

JPW/kp

Henderson County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1) (2)
For the Year Ended June 30, 2016

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	\$ 461,425
National School Lunch Program	10.555	N/A	1,074,431 (4)
Summer Food Service Program for Children	10.559	N/A	38,292
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	106,771 (4)
Cooperative Forestry Assistance	10.664	(3)	3,000
Total U.S. Department of Agriculture			<u>\$ 1,683,919</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	(3)	\$ 29,825
Total U.S. Department of Housing and Urban Development			<u>\$ 29,825</u>
U.S. Department of Justice:			
Direct Program:			
Bulletproof Vest Partnership Program	16.607		\$ 5,433
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(3)	13,545
Total U.S. Department of Justice			<u>\$ 18,978</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	(3)	\$ 254,845
Alcohol Open Container Requirements	20.607	(3)	5,000
Total U.S. Department of Transportation			<u>\$ 259,845</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	(3)	\$ 255,245
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	793,928
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	887,446
Special Education - Preschool Grants	84.173	N/A	22,585
Career and Technical Education - Basic Grants to States	84.048	N/A	69,052
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	N/A	114,434
Rural Education	84.358	N/A	77,621
Supporting Effective Instruction State Grant	84.367	N/A	122,477
Passed-through State Department of Human Services:			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	(3)	42,250
Total U.S. Department of Education			<u>\$ 2,385,038</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	(3)	\$ 70,935
Total U.S. Department of Homeland Security			<u>\$ 70,935</u>
Total Expenditures of Federal Awards			<u>\$ 4,448,540</u>

(Continued)

Henderson County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1) (2) (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
Litter Program - State Department of Transportation	N/A	(3)	\$ 23,920
Baby and Me Grant Program - State Department of Health	N/A	(3)	22,771
Coordinated School Health - State Department of Education	N/A	(3)	88,149
ACT/Explore - State Department of Education	N/A	(3)	8,025
TNConnect - State Department of Education	N/A	(3)	10,333
Art Student Ticket Subsidy - State Department of Education	N/A	(3)	2,067
Safe Schools - State Department of Education	N/A	(3)	22,390
Early Childhood Education - State Department of Education	N/A	(3)	<u>505,285</u>
Total State Grants			<u>\$ 682,940</u>

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Henderson County elected not to use the 10% de minimus cost rate permitted by the Uniform Guidance.
- (3) Information not available.
- (4) Total for CFDA No. 10.555 is \$1,181,202.

Henderson County, Tennessee
Summary Schedule of Prior-year Findings
For the Year Ended June 30, 2016

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. In addition, OMB's Uniform Guidance requires auditees to report the status of all prior-year findings whether corrected or uncorrected. Presented below are financial statement findings along with their current status from the Annual Financial Report for Henderson County, Tennessee, for the year ended June 30, 2016.

Prior-year Financial Statement Findings

Fiscal Year	Page Number	Finding Number	Title of Finding	CFDA Number	Current Status
<u>OFFICE OF FINANCE DIRECTOR</u>					
2015	167	2015-001	Designated Situs-Based Taxes Were Inadequate to Fund Rural Fire Protection	N/A	Not Corrected - See Explanation on Corrective Action Plan
2015	167	2015-002	Amounts Withheld from Contractor Payments Were Not Deposited into an Escrow Account	N/A	Corrected
<u>OFFICE OF ASSESSOR OF PROPERTY</u>					
2015	168	2015-003	The Assessor Did Not Adequately Maintain Assessment Maps	N/A	Corrected
<u>OFFICES OF COUNTY CLERK AND CIRCUIT COURT CLERK</u>					
2015	168	2015-004	Excess Fees Were Not Reported and Paid to the County in Compliance with State Statute	N/A	County Clerk: Corrected Circuit Court Clerk: Not Corrected - See Explanation on Corrective Action Plan
<u>OFFICE OF CLERK AND MASTER</u>					
2015	169	2015-005	Multiple Employees Operated from the Same Cash Drawer	N/A	Corrected
<u>OFFICES OF FINANCE DIRECTOR, COUNTY CLERK, AND SHERIFF</u>					
2015	169	2015-006	Duties Were Not Segregated Adequately	N/A	Not Corrected - See Explanation on Corrective Action Plan

Henderson County, Tennessee
Summary Schedule of Prior-year Findings
For the Year Ended June 30, 2016

Prior-year Federal Award Findings

There were no prior-year federal award findings to report.

HENDERSON COUNTY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

PART I, SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

1. Our report on the financial statements of Henderson County is unmodified.
2. Internal Control Over Financial Reporting:
 - * Material weakness identified? **YES**
 - * Significant deficiency identified? **YES**
3. Noncompliance material to the financial statements noted? **YES**

Federal Awards:

4. Internal Control Over Major Federal Programs:
 - * Material weakness identified? **NO**
 - * Significant deficiency identified? **NONE REPORTED**
5. Type of report auditor issued on compliance for major programs: **UNMODIFIED**
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **NO**
7. Identification of Major Federal Programs:
 - * CFDA Numbers: 10.553, 10.555, and 10.559 Nutrition Cluster: School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children
 - * CFDA Number: 84.010 Title I Grants to Local Educational Agencies
8. Dollar threshold used to distinguish between Type A and Type B Programs: **\$750,000**
9. Auditee qualified as low-risk auditee? **NO**

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our audit and the annual monitoring report performed by the state Division of Property Assessments for assessors of property, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. Written responses for all findings are paraphrased and presented following each finding and recommendation. The finance director, assessor of property, county clerk, circuit court clerk, and the sheriff provided corrective action plans, which are included in the Management's Corrective Action Plan section of this report.

Findings relating specifically to the audit of federal awards, if any, are separately presented under Part III, Findings and Questioned Costs for Federal Awards.

OFFICE OF FINANCE DIRECTOR

FINDING 2016-001

THE GENERAL AND GENERAL PURPOSE SCHOOL FUNDS REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION (Internal Control – Material Weakness Under *Government Auditing Standards*)

At June 30, 2016, certain general ledger account balances in the General and General Purpose School funds were not materially correct, and audit adjustments totaling \$396,440 and \$564,986, respectively, were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require Henderson County to have adequate internal controls over the maintenance of its accounting records. Material audit adjustments were required because the county's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the county has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. This deficiency is the result of a lack of management oversight. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

We concur with this finding. Management has taken the appropriate actions to ensure effective oversight over our accounting records.

FINDING 2016-002

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

Henderson County has used questionable methods of funding rural fire protection since 1994. Effective May 1999, counties have been authorized to fund rural fire protection services with designated situs-based taxes. In 2001, the Henderson County Commission designated certain situs-based taxes in the General Fund to be used to fund rural fire protection. Only once in the last 14 years has the collections from these situs-based taxes been sufficient to cover the expenditures for rural fire protection.

During the 2015-16 year, Henderson County expended \$738,494 from the General Fund to provide fire protection service to rural areas of the county. However, the situs-based taxes totaled \$261,602 for the year and were not sufficient to cover the total operating expenditures of \$738,494. Therefore, property taxes of all county citizens, living both inside and outside the City of Lexington, helped to fund this service. Citizens living within the City of Lexington paid for fire protection service in both the city and rural areas. This deficiency continues to exist due to management's failure to correct the deficiency noted in prior-year audit reports.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

We concur with this finding. Fire districts could produce sufficient taxes to fund rural fire protection; however, the Henderson County Commission has historically refused to create such districts. Therefore, the county will continue to utilize other resources to cover the remaining expenditures or generate additional situs-based tax revenue.

OFFICE OF ASSESSOR OF PROPERTY

FINDING 2016-003

THE ASSESSOR DID NOT ADEQUATELY PERFORM VISUAL INSPECTIONS
(Noncompliance Under *Government Auditing Standards*)

The assessor did not adequately perform visual inspections required to maintain accurate property record cards and did not complete the visual review within the reappraisal cycle. We found several hundred parcels with new improvements that were not measured or listed. Section 67-5-1601, *Tennessee Code Annotated*, requires the assessor to complete an on-site review of each parcel of real property over a five-year cycle. The review of property is reported to the state Division of Property Assessments. This deficiency can be attributed

to the failure of management to maintain an adequate system of internal controls to ensure accurate reporting of on-site reviews. This deficiency resulted in inaccurate property records and affected the assessment of some properties. It should be noted that the assessor has corrected the deficiencies noted, which resulted in approximately ten million dollars of increased property appraisals.

RECOMMENDATION

The assessor should properly perform on-site visual inspections in a timely manner.

MANAGEMENT'S RESPONSE – ASSESSOR OF PROPERTY

I take full responsibility for the problems of the onsite reviews and visual reviews identified in my office. I offer my apologies for any trouble and inconvenience the problems have caused. My office's quality control and inspections of work-in-progress failed to live up to the standard I expect due to several different factors. My new field inspector was not familiar with CAAS and encountered several difficulties adding new constructions, and there were also employees absent for various reasons. Those issues are now safely behind us and moving forward I anticipate we should stay current in our work.

OFFICE OF CIRCUIT COURT CLERK

FINDING 2016-004

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

(Noncompliance Under *Government Auditing Standards*)

The circuit court clerk did not report and pay excess fees to the county in compliance with Section 8-22-104, *Tennessee Code Annotated*. This statute requires excess fees to be reported and paid to the county quarterly and authorizes the clerk to retain sufficient fees to operate the office for three months. Excess fees retained in this office exceeded statutory limits for each quarter covered by our examination. The circuit court clerk paid excess fees of \$354,243 to the county during the period under examination; however, excess fees totaled \$108,252 on June 30, 2016, and were approximately \$19,607 more than the amount permitted by state statute. Therefore, approximately \$19,607 is due to the county's General Fund, which could be used to pay county expenses. This deficiency exists because management failed to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – CIRCUIT COURT CLERK

I concur. This finding was the result of an estimation of the payroll for three months. The payroll was miscalculated using an incorrect calculation that included benefits (social

security, medicare, retirement, and insurance) for the employees. This office will correct this finding immediately.

OFFICE OF SHERIFF

FINDING 2016-005

AN EMPLOYEE IMPROPERLY USED A COUNTY FUEL CARD FOR PERSONAL GAIN

(Noncompliance Under *Government Auditing Standards*)

The Sheriff's Department conducted an internal investigation involving a county employee purchasing fuel for his personal vehicle with the department's fuel card. The investigation revealed that from December 1, 2015, through August 10, 2016, a maintenance employee used a county fuel card to purchase \$1,079 of gasoline for his personal vehicle. The sheriff filed a Fraud Reporting Form with the state Comptroller's Office on August 10, 2016, and also notified the district attorney general. The maintenance employee was arrested and his employment was terminated on August 10, 2016. On September 27, 2016, the former employee's attorney and the assistant district attorney reached an agreement, and the case was dismissed.

RECOMMENDATION

Officials should perform an internal risk assessment to determine ways to strengthen internal controls over the use of the county's fuel cards.

MANAGEMENT'S RESPONSE – SHERIFF

I concur. As the finding stated, the employee's employment was terminated, he was arrested, and ultimately the case was resolved in General Sessions Court on September 27, 2016, by the assistant district attorney and the former employee's attorney.

OFFICES OF FINANCE DIRECTOR, COUNTY CLERK, AND SHERIFF

FINDING 2016-006

DUTIES WERE NOT SEGREGATED ADEQUATELY

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

Duties were not segregated adequately among the officials and employees in the Offices of Finance Director, County Clerk, and Sheriff. Officials and employees responsible for maintaining the accounting records in these offices were also involved in receipting, depositing, disbursing, and/or reconciling bank statements. Sound business practices dictate that management is responsible for designing internal controls 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.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

I concur with this finding. Due to the lack of financial resources, absolute segregation of duties is not attainable with our present personnel; however, management will implement appropriate internal controls to reduce the risk of unauthorized transactions.

MANAGEMENT'S RESPONSE – COUNTY CLERK

I concur with this finding. Over the past 18 years, the office has failed to respond to this finding. During the past seven months, changes have been made to the office infrastructure that now allow each deputy clerk as well as the county clerk to have their own cash drawer and their own computer login identity. Also, a manual has been drafted that lists the job duties and responsibilities of each clerk. Changes have also been made to the bookkeeper's responsibilities to help prevent the risk of unauthorized transactions.

MANAGEMENT'S RESPONSE – SHERIFF

I concur. We began trying to segregate duties during September 2015 when a new administrative assistant was hired.

PART III, FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings and questioned costs related to federal awards for the year ended June 30, 2016.

**Henderson County, Tennessee
Management's Corrective Action Plan
For the Year Ended June 30, 2016**

We reviewed the financial statement and federal award findings and recommendations with management to provide an opportunity for their response as required by the auditee requirements within Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Management's corrective action plans for all financial statement findings and federal award findings are presented below:

Corrective Action - Financial Statement Findings

OFFICE OF FINANCE DIRECTOR

FINDING 2016-001 **THE GENERAL AND GENERAL PURPOSE SCHOOL FUNDS REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION**

Response and Corrective Action Plan Prepared by:	Lee Wilkinson, Finance Director, Henderson County, Tennessee
Person Responsible for Implementing the Corrective Action:	Same
Anticipated Completion Date of Corrective Action:	April 30, 2017
Repeat Finding:	No
Reason Why Corrective Action was Not Taken – PY	N/A

Planned Corrective Action:

Management will utilize experienced personnel to aid with the maintenance of its accounting records. In addition, management will participate in training in relation to accounting software. In the event that management feels additional support is required, we have resources available to assist as needed.

FINDING 2016-002 **DESIGNATED SITUS-BASED TAXES WERE INADEQUATE TO FUND RURAL FIRE PROTECTION**

Response and Corrective Action Plan Prepared by:	Lee Wilkinson, Finance Director, Henderson County, Tennessee
Person Responsible for Implementing the Corrective Action:	Same
Anticipated Completion Date of Corrective Action:	June 30, 2017
Repeat Finding:	Yes
Reason Why Corrective Action was Not Taken – PY	Historically, situs-based taxes have been insufficient to cover fire protection cost, and the County Commission has refused to created fire districts.

Planned Corrective Action:

Management is making efforts to increase situs-based taxes in connection with new construction projects within the county. Taking into account the size of the projects under consideration, the additional tax revenue should adequately cover the existing deficit. Also, the prior-year's expenditures included the construction of several fire stations, which is not a recurring annual expense.

OFFICE OF ASSESSOR OF PROPERTY

FINDING 2016-003

THE ASSESSOR DID NOT ADEQUATELY PERFORM VISUAL INSPECTIONS

Response and Corrective Action Plan Prepared by:	Gary Pope, Assessor of Property, Henderson County, Tennessee
Person Responsible for Implementing the Corrective Action:	Same
Anticipated Completion Date of Corrective Action:	October 26, 2016
Repeat Finding:	No
Reason Why Corrective Action was Not Taken – PY	N/A

Planned Corrective Action:

I will be inspecting the progress of each employee weekly to insure they are doing their best to keep current with their workload. We are also going weekly to the electric companies to pick up new construction, and we are also checking with the additions of new septic tank installations. My office will be monitored closely by me, and each job will be reviewed by another employee to assure accuracy and promptness.

OFFICE OF CIRCUIT COURT CLERK

FINDING 2016-004

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

Response and Corrective Action Plan Prepared by:	Beverly Dunaway, Circuit Court Clerk, Henderson County, Tennessee
Person Responsible for Implementing the Corrective Action:	Same
Anticipated Completion Date of Corrective Action:	October 28, 2016
Repeat Finding:	Yes
Reason Why Corrective Action was Not Taken – PY	The office made an error in estimating payroll for three months.

Planned Corrective Action:

The clerk and the bookkeeper will calculate excess fees from the salary letter of agreement instead of the invoice from the Finance Department, which includes social security, Medicare, insurance, retirement, and unemployment.

OFFICE OF SHERIFF

FINDING 2016-005

AN EMPLOYEE IMPROPERLY USED A COUNTY FUEL CARD FOR PERSONAL GAIN

Response and Corrective Action Plan Prepared by:	Brian Duke, Sheriff, Henderson County, Tennessee
Person Responsible for Implementing the Corrective Action:	Same
Anticipated Completion Date of Corrective Action:	August 31, 2016
Repeat Finding:	No
Reason Why Corrective Action was Not Taken – PY	N/A

Planned Corrective Action:

Sheriff Brian Duke, Chief Larry Stegall, and Lieutenant Victor Stanford will continue to reconcile fuel usage monthly by looking for irregularities based on variances in miles-per-gallon, fill-up times, and excessive fuel use for each vehicle.

OFFICES OF FINANCE DIRECTOR, COUNTY CLERK, AND SHERIFF

FINDING 2016-006

DUTIES WERE NOT SEGREGATED ADEQUATELY

Responses and Corrective Action Plans Prepared by:	Lee Wilkinson, Finance Director; Carolyn Holmes County Clerk; and Brian Duke Sheriff, Henderson County, Tennessee
Persons Responsible for Implementing the Corrective Actions:	Same
Anticipated Completion Date of Corrective Action:	June 30, 2017
Repeat Finding:	Yes
Reason Why Corrective Action was Not Taken – PY	Lack of financial resources

Planned Corrective Action – Finance Director:

Management has developed an internal control policy. When considering our available resources, management will segregate duties to the greatest extent possible.

Planned Corrective Action – County Clerk:

The deputy clerk responsible for the bookkeeping will no longer receipt funds or sign checks. The county clerk will open and review the bank statements prior to giving them to the deputy clerk to reconcile.

Planned Corrective Action – Sheriff:

Duties have been divided between Captain Jeff Smith; Shelia Austin, Warrants Clerk; Shana Duke, Administrative Assistant; Chief Larry Stegall; and Sheriff Brian Duke to insure compliance with the audit finding.