

ANNUAL FINANCIAL REPORT
HENDERSON COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2018



DIVISION OF LOCAL GOVERNMENT AUDIT



**ANNUAL FINANCIAL REPORT
HENDERSON COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2018**

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

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

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Summary of Audit Findings

Annual Financial Report
Henderson County, Tennessee
For the Year Ended June 30, 2018

Scope

We have audited the basic financial statements of Henderson County as of and for the year ended June 30, 2018.

Results

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

Our audit resulted in five 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 office had deficiencies in budget operations.
- ◆ The School Federal Projects Fund had a cash overdraft of \$68,390 at June 30, 2018.
- ◆ Competitive bids were not solicited for the purchase of patrol cars.
- ◆ The office did not file a Report on Debt Obligation with the state Comptroller's Office in a timely manner.

OFFICE OF ASSESSOR OF PROPERTY

- ◆ An investigation of the Assessor of Property's Office disclosed deficiencies related to property assessments and payroll records.

INTRODUCTORY SECTION

Henderson County Officials

June 30, 2018

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
Lee Wilkinson, 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

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

Financial Management Committee

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

Audit Committee

Tommy Page, Chairman
Aaron Wood
Dennis Ray McDaniel

FINANCIAL SECTION



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

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, 2018, 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, 2018, 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Emphasis of Matter

We draw attention to Note I.D.8. to the financial statements, which describes restatements increasing the beginning net position of the Governmental Activities of the primary government by \$46,215, and reducing the beginning net position discretely presented Henderson County School Department by \$1,523,292, on the Government-wide Statement of Activities. These restatements were necessary because of the transitional requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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 asset and related ratios, schedules of county and school contributions, schedules of school's proportionate share of the net pension assets, and schedules of county and school changes in the total OPEB liability and related ratios - other postemployment benefits plans on pages 86-97 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 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), miscellaneous schedules and other information such as the introductory section and management's corrective action plans are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is also presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is 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

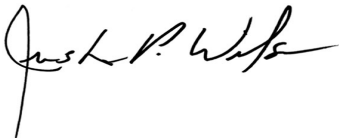
and individual fund financial statements of the Henderson County School Department (a discretely presented component unit), schedule of expenditures of federal awards, and miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting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

The introductory section and management's corrective action plans have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Henderson County's 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

February 6, 2019

JPW/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Henderson County, Tennessee
Statement of Net Position
June 30, 2018

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Henderson County School Department</u>
<u>ASSETS</u>		
Cash	\$ 175,030	\$ 0
Equity in Pooled Cash and Investments	7,007,297	7,226,665
Accounts Receivable	101,821	2,622
Due from Other Governments	822,272	1,927,241
Due from Component Units	1,268,210	12,790
Property Taxes Receivable	6,309,662	3,429,661
Allowance for Uncollectible Property Taxes	(83,999)	(45,658)
Net Pension Asset - Agent Plan	1,589,491	1,167,171
Net Pension Asset - Teacher Retirement Plan	0	67,354
Net Pension Asset - Teacher Legacy Pension Plan	0	135,025
Cash Shortage	1,669	0
Capital Assets:		
Assets Not Depreciated:		
Land	2,527,826	1,151,661
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	12,724,598	17,177,305
Infrastructure	2,633,267	69,311
Other Capital Assets	1,824,190	837,047
Total Assets	<u>\$ 36,901,334</u>	<u>\$ 33,158,195</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Charge on Refunding	\$ 245,369	\$ 0
Pension Changes in Experience	64,812	131,354
Pension Changes in Investment Earnings	0	20,496
Pension Changes in Assumptions	263,036	1,299,409
Pension Changes in Proportion	0	316,357
Pension Contributions after Measurement Date	234,538	1,505,088
OPEB Contributions after Measurement Date	1,930	121,846
Total Deferred Outflows of Resources	<u>\$ 809,685</u>	<u>\$ 3,394,550</u>
<u>LIABILITIES</u>		
Payroll Deductions Payable	\$ 181	\$ 595,191
Accrued Interest Payable	152,100	0
Cash Overdraft	0	68,390
Due to Primary Government	0	1,268,210
Due to Component Unit	12,790	0
Due to State of Tennessee	14	0
Noncurrent Liabilities:		
Due Within One Year	2,414,382	0
Due in More Than One Year	20,159,396	2,619,757
Total Liabilities	<u>\$ 22,738,863</u>	<u>\$ 4,551,548</u>

(Continued)

Exhibit A

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

	<u>Primary Governmental Activities</u>	<u>Component Unit Henderson County School Department</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Current Property Taxes	\$ 6,053,054	\$ 3,290,180
Pension Changes in Experience	314,297	2,887,598
Pension Changes in Investment Earnings	8,045	8,427
Pension Other Deferrals	0	1,143
OPEB Changes in Assumptions	10,624	110,545
Total Deferred Inflows of Resources	<u>\$ 6,386,020</u>	<u>\$ 6,297,893</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	\$ 5,912,013	\$ 19,235,324
Restricted for:		
General Government	38,968	0
Finance	34,427	0
Administration of Justice	312,372	0
Public Safety	181,703	0
Public Health and Welfare	144,248	0
Highway/Public Works	684,721	0
Debt Service	1,014,807	0
Education	0	287,350
Operation of Non-instructional Services	0	726,685
Pensions	1,589,491	1,369,550
Unrestricted	<u>(1,326,614)</u>	<u>4,084,395</u>
Total Net Position	<u>\$ 8,586,136</u>	<u>\$ 25,703,304</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, 2018

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
					Total Governmental Activities	Henderson County School Department
Primary Government:						
Governmental Activities:						
General Government	\$ 1,754,542	\$ 138,000	\$ 15,164	\$ 0	\$ (1,601,378)	\$ 0
Finance	1,216,056	116,965	20,000	0	(1,079,091)	0
Administration of Justice	1,213,946	1,775,585	9,500	0	571,139	0
Public Safety	6,077,919	1,861,589	164,000	0	(4,052,330)	0
Public Health and Welfare	801,816	186,177	124,270	0	(491,369)	0
Social, Cultural, and Recreational Services	79,317	0	0	101,050	21,733	0
Agriculture and Natural Resources	91,432	0	0	0	(91,432)	0
Highways	2,777,123	359	2,310,618	215,916	(250,230)	0
Interest on Long-term Debt	867,752	0	446,604	0	(421,148)	0
Total Primary Government	\$ 14,879,903	\$ 4,078,675	\$ 3,090,156	\$ 316,966	\$ (7,394,106)	\$ 0
Component Unit:						
Henderson County School Department	\$ 34,562,333	\$ 783,914	\$ 4,798,389	\$ 0	\$ 0	\$ (28,980,030)
Total Component Unit	\$ 34,562,333	\$ 783,914	\$ 4,798,389	\$ 0	\$ 0	\$ (28,980,030)

(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					\$ 5,356,328	\$ 3,399,240
Property Taxes Levied for Debt Service					901,449	0
Local Option Sales Taxes					162,512	3,553,139
Hotel/Motel Tax					128,565	0
Wheel Tax					973,614	0
Litigation Taxes					246,833	0
Business Tax					291,851	0
Other Local Taxes					86,433	156
Grants and Contributions Not Restricted to Specific Programs					279,402	23,770,509
Unrestricted Investment Income					68,097	4,893
Miscellaneous					45,073	81,169
Total General Revenues					<u>\$ 8,540,157</u>	<u>\$ 30,809,106</u>
Change in Net Position						
Net Position, July 1, 2017					\$ 1,146,051	\$ 1,829,076
Restatements - See Note I.D.8.					7,393,870	25,397,520
					<u>46,215</u>	<u>(1,523,292)</u>
Net Position, June 30, 2018					<u>\$ 8,586,136</u>	<u>\$ 25,703,304</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, 2018

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 175,030	\$ 175,030
Equity in Pooled Cash and Investments	3,875,848	654,957	1,471,206	1,005,286	7,007,297
Accounts Receivable	36,422	31	8,469	56,899	101,821
Due from Other Governments	396,155	413,134	0	12,983	822,272
Due from Other Funds	370	0	0	0	370
Property Taxes Receivable	4,671,172	246,087	922,601	469,802	6,309,662
Allowance for Uncollectible Property Taxes	(62,187)	(3,276)	(12,282)	(6,254)	(83,999)
Cash Shortage	1,669	0	0	0	1,669
Total Assets	<u>\$ 8,919,449</u>	<u>\$ 1,310,933</u>	<u>\$ 2,389,994</u>	<u>\$ 1,713,746</u>	<u>\$ 14,334,122</u>
<u>LIABILITIES</u>					
Payroll Deductions Payable	\$ 120	\$ 61	\$ 0	\$ 0	\$ 181
Due to Other Funds	0	0	0	370	370
Due to Component Units	12,790	0	0	0	12,790
Due to State of Tennessee	14	0	0	0	14
Total Liabilities	<u>\$ 12,924</u>	<u>\$ 61</u>	<u>\$ 0</u>	<u>\$ 370</u>	<u>\$ 13,355</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 4,481,199	\$ 236,079	\$ 885,080	\$ 450,696	\$ 6,053,054
Deferred Delinquent Property Taxes	119,147	6,277	23,533	11,983	160,940
Other Deferred/Unavailable Revenue	148,528	202,621	0	7,097	358,246
Total Deferred Inflows of Resources	<u>\$ 4,748,874</u>	<u>\$ 444,977</u>	<u>\$ 908,613</u>	<u>\$ 469,776</u>	<u>\$ 6,572,240</u>

(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 Govern- mental Funds	
<u>FUND BALANCES</u>					
Restricted:					
Restricted for General Government	\$ 38,968	\$ 0	\$ 0	\$ 0	\$ 38,968
Restricted for Finance	34,427	0	0	0	34,427
Restricted for Administration of Justice	312,372	0	0	0	312,372
Restricted for Public Safety	173,728	0	0	7,975	181,703
Restricted for Public Health and Welfare	125,168	0	0	0	125,168
Restricted for Highways/Public Works	0	486,031	0	0	486,031
Restricted for Debt Service	0	0	797,078	100,927	898,005
Committed:					
Committed for General Government	464,862	0	0	0	464,862
Committed for Finance	0	0	0	70,220	70,220
Committed for Administration of Justice	0	0	0	161,280	161,280
Committed for Public Health and Welfare	0	0	0	416,822	416,822
Committed for Other Operations	6,731	0	0	0	6,731
Committed for Highways/Public Works	0	379,864	0	0	379,864
Committed for Debt Service	0	0	684,303	486,376	1,170,679
Unassigned	3,001,395	0	0	0	3,001,395
Total Fund Balances	\$ 4,157,651	\$ 865,895	\$ 1,481,381	\$ 1,243,600	\$ 7,748,527
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,919,449	\$ 1,310,933	\$ 2,389,994	\$ 1,713,746	\$ 14,334,122

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, 2018

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)	\$	7,748,527	
(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: buildings and improvements net of accumulated depreciation		12,724,598	
Add: infrastructure net of accumulated depreciation		2,633,267	
Add: other capital assets net of accumulated depreciation		<u>1,824,190</u>	19,709,881
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: other loan payable	\$	(1,268,210)	
Add: debt to be contributed by the School Department		1,268,210	
Less: bonds payable		(20,230,000)	
Less: capital leases payable		(192,052)	
Add: deferred amount on refunding		245,369	
Add: deferred charges - discount on debt issued		2,360	
Less: compensated absences payable		(186,175)	
Less: landfill closure/postclosure care costs		(80,242)	
Less: net OPEB liability		(189,405)	
Less: accrued interest payable		(152,100)	
Less: other deferred revenue - premium on debt		(239,277)	
Less: net pension liability - Henderson County Judges, Officials, and Executives Agent Plan		<u>(190,777)</u>	(21,212,299)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be amortized and recognized as components of pension and OPEB expense in future years.			
Add: deferred outflows of resources related to pensions	\$	562,386	
Less: deferred inflows of resources related to pensions		(322,342)	
Add: deferred outflows of resources related to OPEB		1,930	
Less: deferred inflows of resources related to OPEB		<u>(10,624)</u>	231,350
(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			1,589,491
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			
			<u>519,186</u>
Net position of governmental activities (Exhibit A)	\$		<u><u>8,586,136</u></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, 2018

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 5,526,045	\$ 247,192	\$ 1,906,778	\$ 551,471	\$ 8,231,486
Licenses and Permits	1,235	0	0	0	1,235
Fines, Forfeitures, and Penalties	462,429	0	0	21,558	483,987
Charges for Current Services	74,720	0	0	1,058,920	1,133,640
Other Local Revenues	241,856	5,925	24,542	166,515	438,838
Fees Received From County Officials	511,093	0	0	0	511,093
State of Tennessee	1,615,672	2,605,300	0	0	4,220,972
Federal Government	154,493	0	0	0	154,493
Other Governments and Citizens Groups	556,645	0	104,076	402,310	1,063,031
Total Revenues	\$ 9,144,188	\$ 2,858,417	\$ 2,035,396	\$ 2,200,774	\$ 16,238,775
<u>Expenditures</u>					
Current:					
General Government	\$ 1,398,202	\$ 0	\$ 0	\$ 0	\$ 1,398,202
Finance	641,371	0	0	563,464	1,204,835
Administration of Justice	560,560	0	0	432,908	993,468
Public Safety	5,114,874	0	0	88,546	5,203,420
Public Health and Welfare	143,427	0	0	663,094	806,521
Social, Cultural, and Recreational Services	73,155	0	0	0	73,155
Agriculture and Natural Resources	89,777	0	0	0	89,777
Other Operations	851,170	0	0	0	851,170
Highways	0	3,653,074	0	0	3,653,074
Debt Service:					
Principal on Debt	70,000	79,866	1,739,876	290,000	2,179,742
Interest on Debt	2,100	3,800	573,756	112,310	691,966
Other Debt Service	0	1,360	32,727	1,942	36,029
Total Expenditures	\$ 8,944,636	\$ 3,738,100	\$ 2,346,359	\$ 2,152,264	\$ 17,181,359

(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	\$ 199,552	\$ (879,683)	\$ (310,963)	\$ 48,510	\$ (942,584)
<u>Other Financing Sources (Uses)</u>					
Capital Leases Issued	\$ 0	\$ 271,918	\$ 0	\$ 0	\$ 271,918
Insurance Recovery	36,264	99,711	0	1,130	137,105
Total Other Financing Sources (Uses)	\$ 36,264	\$ 371,629	\$ 0	\$ 1,130	\$ 409,023
Net Change in Fund Balances	\$ 235,816	\$ (508,054)	\$ (310,963)	\$ 49,640	\$ (533,561)
Fund Balance, July 1, 2017	3,921,835	1,373,949	1,792,344	1,193,960	8,282,088
Fund Balance, June 30, 2018	\$ 4,157,651	\$ 865,895	\$ 1,481,381	\$ 1,243,600	\$ 7,748,527

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, 2018

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)		\$ (533,561)	
(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	\$ 1,269,992		
Less: current-year depreciation expense	<u>(1,284,813)</u>	(14,821)	
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.			
Add: gain on disposal of capital assets	\$ 6,464		
Less: proceeds received from disposal of capital assets	<u>(99,000)</u>	(92,536)	
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2018	\$ 519,186		
Less: deferred delinquent property taxes and other deferred June 30, 2017	<u>(573,225)</u>	(54,039)	
(4) The issuance of long-term debt (e.g., bonds, notes, leases 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.			
Less: capital lease proceeds	\$ (271,918)		
Add: change in premium on debt issuances	25,094		
Less: change in discount on debt issued	(873)		
Less: change in deferred amount on refunding debt	(191,192)		
Add: principal payments on bonds	1,945,000		
Add: principal payments on note	70,000		
Add: principal payments on capital leases	79,866		
Add: principal payments on other loan	84,876		
Less: contributions from the School Department for the other loan	<u>(84,876)</u>	1,655,977	
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in accrued interest payable	\$ 15,406		
Change in landfill closure/postclosure care costs	2,441		
Change in compensated absences payable	(50,693)		
Change in net OPEB liability (net of restatement)	(14,118)		
Change in deferred outflows related to OPEB	1,930		
Change in deferred inflows related to OPEB	(10,624)		
Change in net pension asset - Henderson County Employees Agent Plan	229,106		
Change in net pension liability - Henderson County Judges, Officials, and Executives Agent Plan	192,080		
Change in deferred outflows related to pensions	(94,555)		
Change in deferred inflows related to pensions	<u>(85,942)</u>	<u>185,031</u>	
Change in net position of governmental activities (Exhibit B)		<u>\$ 1,146,051</u>	

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

Exhibit C-5

Henderson County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 5,526,045	\$ 5,013,054	\$ 5,013,054	\$ 512,991
Licenses and Permits	1,235	1,500	1,500	(265)
Fines, Forfeitures, and Penalties	462,429	403,500	403,500	58,929
Charges for Current Services	74,720	79,500	79,500	(4,780)
Other Local Revenues	241,856	226,000	226,000	15,856
Fees Received From County Officials	511,093	447,500	447,500	63,593
State of Tennessee	1,615,672	2,068,184	2,111,534	(495,862)
Federal Government	154,493	32,000	32,000	122,493
Other Governments and Citizens Groups	556,645	438,000	438,000	118,645
Total Revenues	\$ 9,144,188	\$ 8,709,238	\$ 8,752,588	\$ 391,600
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 104,342	\$ 111,710	\$ 111,660	\$ 7,318
Board of Equalization	1,550	1,500	1,550	0
County Mayor/Executive	141,356	141,406	149,241	7,885
County Attorney	9,480	9,895	13,395	3,915
Election Commission	160,535	176,659	177,329	16,794
Register of Deeds	130,984	156,157	156,492	25,508
County Buildings	849,955	884,650	981,325	131,370
<u>Finance</u>				
Accounting and Budgeting	323,265	342,231	344,241	20,976
Property Assessor's Office	257,057	278,567	279,907	22,850
County Trustee's Office	27,076	39,128	39,128	12,052
County Clerk's Office	33,973	42,750	42,750	8,777
<u>Administration of Justice</u>				
Circuit Court	21,344	46,150	46,150	24,806
General Sessions Court	261,229	275,030	275,365	14,136
Drug Court	5,175	10,000	10,000	4,825
Chancery Court	202,893	205,880	213,885	10,992
Juvenile Court	69,919	66,870	77,205	7,286
<u>Public Safety</u>				
Sheriff's Department	2,080,445	2,258,590	2,285,450	205,005
Administration of the Sexual Offender Registry	3,968	3,800	4,000	32
Workhouse	1,985,957	2,085,545	2,097,270	111,313
Fire Prevention and Control	229,499	256,100	256,770	27,271
Civil Defense	150,819	139,905	160,742	9,923
Rescue Squad	25,000	15,000	25,000	0
County Coroner/Medical Examiner	49,400	58,015	58,015	8,615
Other Public Safety	589,786	554,946	603,134	13,348
<u>Public Health and Welfare</u>				
Local Health Center	79,833	75,310	118,660	38,827
Alcohol and Drug Programs	0	10,500	10,500	10,500
Other Local Health Services	5,000	7,000	7,000	2,000
Appropriation to State	11,420	11,420	11,420	0
Aid to Dependent Children	0	700	700	700
Waste Pickup	47,174	48,784	48,784	1,610

(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	\$ 2,807	\$ 5,808	\$ 5,808	\$ 3,001
Senior Citizens Assistance	17,500	17,500	17,500	0
Libraries	37,148	44,000	44,000	6,852
Other Social, Cultural, and Recreational	15,700	28,500	28,500	12,800
<u>Agriculture and Natural Resources</u>				
Agricultural Extension Service	53,423	75,225	75,225	21,802
Soil Conservation	17,055	20,250	20,417	3,362
Flood Control	19,299	22,500	22,500	3,201
<u>Other Operations</u>				
Tourism	24,781	19,800	29,800	5,019
Industrial Development	149,191	118,950	152,950	3,759
Veterans' Services	69,595	75,269	75,771	6,176
Other Charges	424,627	420,000	425,000	373
Employee Benefits	18,242	21,000	29,000	10,758
Miscellaneous	164,734	204,000	199,000	34,266
<u>Principal on Debt</u>				
General Government	70,000	85,000	77,000	7,000
<u>Interest on Debt</u>				
General Government	2,100	6,300	6,300	4,200
Total Expenditures	\$ 8,944,636	\$ 9,478,300	\$ 9,815,839	\$ 871,203
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 199,552	\$ (769,062)	\$ (1,063,251)	\$ 1,262,803
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 36,264	\$ 0	\$ 0	\$ 36,264
Transfers In	0	221,000	221,000	(221,000)
Total Other Financing Sources	\$ 36,264	\$ 221,000	\$ 221,000	\$ (184,736)
Net Change in Fund Balance	\$ 235,816	\$ (548,062)	\$ (842,251)	\$ 1,078,067
Fund Balance, July 1, 2017	3,921,835	3,280,000	3,280,000	641,835
Fund Balance, June 30, 2018	\$ 4,157,651	\$ 2,731,938	\$ 2,437,749	\$ 1,719,902

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, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 247,192	\$ 239,358	\$ 239,358	\$ 7,834
Other Local Revenues	5,925	0	0	5,925
State of Tennessee	2,605,300	2,979,534	2,979,534	(374,234)
Total Revenues	\$ 2,858,417	\$ 3,218,892	\$ 3,218,892	\$ (360,475)
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 193,227	\$ 183,950	\$ 206,620	\$ 13,393
Highway and Bridge Maintenance	1,678,124	1,672,940	1,680,979	2,855
Operation and Maintenance of Equipment	401,631	642,500	642,835	241,204
Other Charges	155,254	158,500	158,500	3,246
Employee Benefits	18,541	51,000	51,000	32,459
Capital Outlay	1,206,297	971,000	1,257,892	51,595
<u>Principal on Debt</u>				
Highways and Streets	79,866	0	79,866	0
<u>Interest on Debt</u>				
Highways and Streets	3,800	0	3,800	0
<u>Other Debt Service</u>				
Highways and Streets	1,360	0	1,360	0
Total Expenditures	\$ 3,738,100	\$ 3,679,890	\$ 4,082,852	\$ 344,752
Excess (Deficiency) of Revenues Over Expenditures	\$ (879,683)	\$ (460,998)	\$ (863,960)	\$ (15,723)
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 271,918	\$ 0	\$ 271,918	\$ 0
Insurance Recovery	99,711	0	0	99,711
Total Other Financing Sources	\$ 371,629	\$ 0	\$ 271,918	\$ 99,711
Net Change in Fund Balance	\$ (508,054)	\$ (460,998)	\$ (592,042)	\$ 83,988
Fund Balance, July 1, 2017	1,373,949	1,250,000	1,250,000	123,949
Fund Balance, June 30, 2018	\$ 865,895	\$ 789,002	\$ 657,958	\$ 207,937

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, 2018

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,771,158
Equity in Pooled Cash and Investments	64,835
Accounts Receivable	8,366
Due from Other Governments	722,292
Taxes Receivable	476,405
Allowance for Uncollectible Taxes	<u>(6,342)</u>
Total Assets	<u>\$ 3,036,714</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 1,257,367
Due to Litigants, Heirs, and Others	<u>1,779,347</u>
Total Liabilities	<u>\$ 3,036,714</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, 2018

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 did not affect the independent auditor's 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, 2018.

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

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

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

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

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

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

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

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

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

Henderson County reports the following major governmental funds:

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

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

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

Additionally, Henderson County reports the following fund type:

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

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

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

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

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

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

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Henderson County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General and General Debt Service funds. Henderson County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at 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 .69 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 acquisition 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, pension changes in experience and investment earnings, pension changes in proportionate share of contributions, as well as employer contributions made to the pension and OPEB plans 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, OPEB changes in assumptions, 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 are 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, 2018, Henderson County had \$8,033,810 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. Restatements

In prior years, the government was required to recognize a liability for its other postemployment benefits plans under Governmental Accounting Standards Board (GASB) Statement No. 45. As of July 1, 2017, Henderson County has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Restatements increasing the beginning net position of the Governmental Activities of the primary government by \$46,215, and reducing the beginning net position of the discretely presented Henderson County School Department by \$1,523,292, have been recognized to account for the transitional requirements.

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.

F. Other Postemployment Benefit (OPEB) Plans

Primary Government

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined on the same basis as they are reported by Henderson County. For this purpose, Henderson County recognizes benefit payments when due and payable in accordance with benefit terms. Henderson County's OPEB plan is not administered through a trust.

Discretely Presented Henderson County School Department

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined on the same basis as they are reported by the discretely presented Henderson County School Department. For this purpose, the School Department recognizes benefit payments when due and payable in accordance with benefit terms. The School Department's OPEB plan is not administered through a trust.

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

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers - Fees Fund (special revenue fund), which is not budgeted. 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.

B. Cash Shortage – Prior Year

The audit of Henderson County for the 2016-2017 year reported a cash shortage of \$14,419 in the Finance Department. An investigation disclosed that the former deputy finance director improperly paid herself \$14,419 in salary payments for the period July 1, 2016, through March 20, 2017. As of June 30, 2018, the former deputy finance director has paid \$12,750, leaving an unpaid shortage of \$1,669.

C. Cash Overdraft

The discretely presented School Federal Projects Fund had a cash overdraft of \$68,390 at June 30, 2018. The cash overdraft resulted from the issuance of checks exceeding cash on deposit with the county trustee. The cash overdraft was liquidated subsequent to June 30, 2018.

D. Expenditures Exceeded Appropriations

Expenditures exceeded total appropriations in the Solid Waste/Sanitation Fund by \$1,166. Also, expenditures exceeded appropriations approved by the county commission in the Instruction – Special Education Program major appropriation category (the legal level of control) of the School Federal Projects Fund by \$19,480. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balance.

E. The Finance Director Failed to Comply with State Statutes when Issuing Debt

The finance director failed to comply with state statutes when entering into a lease-purchase agreement for an asphalt compactor. Details are discussed in the Schedule of Findings and Questioned Costs section of this report.

F. Investigation

As noted in the Schedule of Findings and Questioned Costs in the Single Audit section of this report, an investigation by the Comptroller's Division of Investigation disclosed deficiencies related to property assessments and payroll records. Details of the investigation can be found in a report dated January 11, 2018, at www.comptroller.tn.gov.

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, 2018.

B. Capital Assets

Capital assets activity for the year ended June 30, 2018, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-17	Increases	Decreases	Balance 6-30-18
Capital Assets				
Not Depreciated:				
Land	\$ 2,527,826	\$ 0	\$ 0	\$ 2,527,826
Total Capital Assets Not Depreciated	<u>\$ 2,527,826</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,527,826</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 18,994,622	\$ 54,905	\$ 0	\$ 19,049,527
Infrastructure	3,933,330	463,085	0	4,396,415
Other Capital Assets	7,099,205	752,002	112,537	7,738,670
Total Capital Assets Depreciated	<u>\$ 30,027,157</u>	<u>\$ 1,269,992</u>	<u>\$ 112,537</u>	<u>\$ 31,184,612</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 5,633,330	\$ 691,599	\$ 0	\$ 6,324,929
Infrastructure	1,596,318	166,830	0	1,763,148
Other Capital Assets	5,508,097	426,384	20,001	5,914,480
Total Accumulated Depreciation	<u>\$ 12,737,745</u>	<u>\$ 1,284,813</u>	<u>\$ 20,001</u>	<u>\$ 14,002,557</u>
Total Capital Assets Depreciated, Net	<u>\$ 17,289,412</u>	<u>\$ (14,821)</u>	<u>\$ 92,536</u>	<u>\$ 17,182,055</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 19,817,238</u></u>	<u><u>\$ (14,821)</u></u>	<u><u>\$ 92,536</u></u>	<u><u>\$ 19,709,881</u></u>

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

Governmental Activities:

General Government	\$ 65,935
Administration of Justice	142,737
Public Safety	720,807
Public Health and Welfare	37,946
Highway/Public Works	<u>317,388</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 1,284,813</u></u>

Discretely Presented Henderson County School Department

Governmental Activities:

	Balance 7-1-17	Increases	Decreases	Balance 6-30-18
Capital Assets Not Depreciated:				
Land	\$ 1,151,661	\$ 0	\$ 0	\$ 1,151,661
Construction in Progress	1,428,305	0	1,428,305	0
Total Capital Assets Not Depreciated	<u>\$ 2,579,966</u>	<u>\$ 0</u>	<u>\$ 1,428,305</u>	<u>\$ 1,151,661</u>
Capital Assets Depreciated:				
Building and Improvements	\$ 45,343,838	\$ 2,143,338	\$ 0	\$ 47,487,176
Infrastructure	99,606	0	0	99,606
Other Capital Assets	2,297,079	190,687	0	2,487,766
Total Capital Assets Depreciated	<u>\$ 47,740,523</u>	<u>\$ 2,334,025</u>	<u>\$ 0</u>	<u>\$ 50,074,548</u>
Less Accumulated Depreciation For:				
Building and Improvements	\$ 29,032,804	\$ 1,277,067	\$ 0	\$ 30,309,871
Infrastructure	25,315	4,980	0	30,295
Other Capital Assets	1,540,391	110,328	0	1,650,719
Total Accumulated Depreciation	<u>\$ 30,598,510</u>	<u>\$ 1,392,375</u>	<u>\$ 0</u>	<u>\$ 31,990,885</u>
Total Capital Assets Depreciated, Net	<u>\$ 17,142,013</u>	<u>\$ 941,650</u>	<u>\$ 0</u>	<u>\$ 18,083,663</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 19,721,979</u></u>	<u><u>\$ 941,650</u></u>	<u><u>\$ 1,428,305</u></u>	<u><u>\$ 19,235,324</u></u>

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

Governmental Activities:

Instruction	\$ 1,013,473
Support Services	227,942
Operation of Noninstructional Services	<u>150,960</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,392,375</u>

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2018, was as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 370
Discretely Presented School Department:		
General Purpose School	Nonmajor governmental	14,699
Nonmajor governmental	General Purpose School	2,883

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 General Purpose School Fund totaling \$7,071 was in transit from the School Federal Projects Fund at June 30, 2018.

Due to/from Primary Government and Component Unit:

Receivable Fund	Payable Fund	Amount
Primary Government:		
Governmental Activities	Component Unit: School Department: Governmental Activities	\$ 1,268,210
Component Unit:		
School Department: General Purpose School	Primary Government: General	12,790

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, 2018, consisted of the following amount:

Discretely Presented Henderson County School Department

Transfer Out	<div style="text-align: center;"> <u>Transfer In</u> General Purpose School Fund </div>	Purpose
Nonmajor governmental fund	\$ 7,070	Indirect costs
Total	\$ 7,070	

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

D. Capital Leases

On July 26, 2017, Henderson County entered into a three-year lease-purchase agreement for an asphalt compactor. The terms of the agreement require total lease payments of \$105,668 plus interest of 3.19 percent. Title to the equipment transfers to Henderson County at the end of the lease period. The lease payments are made from the Highway/Public Works Fund.

On July 28, 2017, Henderson County entered into a three-year lease-purchase agreement for a freightliner. The terms of the agreement require total lease payments of \$166,250 plus interest of 2.39 percent. Title to the equipment transfers to Henderson County at the end of the lease period. The Highway/Public Works Fund is making the lease payments.

The assets acquired through capital leases are as follows:

Asset	Governmental Activities
Machinery and Equipment	\$ 271,918
Less: Accumulated Depreciation	<u>(51,613)</u>
Total Book Value	\$ <u>220,305</u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2018, were as follows:

Year Ending June 30	Governmental Funds
2019	\$ 93,246
2020	93,247
2021	9,580
Total Minimum Lease Payments	<u>\$ 196,073</u>
Less: Amount Representing Interest	<u>(4,021)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 192,052</u></u>

E. Long-term Obligations

Primary Government

General Obligation Bonds 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 and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, and the other loan outstanding were issued for original terms of up to 20 years for bonds and 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 and the other loan included in long-term debt as of June 30, 2018, will be retired from the General Debt Service and Rural Debt Service funds.

General obligation bonds and the other loan outstanding as of June 30, 2018, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-18
General Obligation Bonds	1.75 to 4.75%	4-1-29	\$ 19,900,000	\$ 10,425,000
General Obligation Bonds - Refunding	1 to 3	4-1-29	13,335,000	9,805,000
Other Loan	1.38	12-31-31	1,800,582	1,268,210

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 and the other loan outstanding as of June 30, 2018, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
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
2024-2028	8,580,000	1,040,154	9,620,154
2029	1,625,000	54,988	1,679,988
Total	\$ 20,230,000	\$ 3,500,485	\$ 23,730,485

Year Ending June 30	Other Loan			
	Principal	Interest	Other Fees	Total
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
2024-2028	474,012	41,088	2,556	517,656
2029-2032	351,770	8,691	616	361,077
Total	\$ 1,268,210	\$ 122,451	\$ 7,552	\$ 1,398,213

There is \$2,068,684 available in the debt service funds to service long-term debt. Bonded debt per capita totaled \$729, based on the 2010 federal census. Total debt per capita, including bonds, the other loan and unamortized debt premiums and discounts totaled \$783, 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>	Outstanding 6-30-18
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Other Loan

Contributions from the General Purpose School Fund

Clean Water State Revolving Fund	\$ 1,268,210
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Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2018, was as follows:

Governmental Activities:

	Bonds	Note	Other Loan
Balance, July 1, 2017	\$ 22,175,000	\$ 70,000	\$ 1,353,086
Reductions	(1,945,000)	(70,000)	(84,876)
Balance, June 30, 2018	\$ 20,230,000	\$ 0	\$ 1,268,210
Balance Due Within One Year	\$ 2,110,000	\$ 0	\$ 86,064

	Capital Leases	Compensated Absences	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2017	\$ 0	\$ 135,482	\$ 82,683
Additions	271,918	239,332	0
Reductions	(79,866)	(188,639)	(2,441)
Balance, June 30, 2018	\$ 192,052	\$ 186,175	\$ 80,242
Balance Due Within One Year	\$ 90,407	\$ 124,051	\$ 3,860

	Net OPEB Liability*	Net Pension Liability
Balance, July 1, 2017	\$ 175,287	\$ 382,857
Additions	25,890	418,917
Reductions	(11,772)	(610,997)
Balance, June 30, 2018	\$ 189,405	\$ 190,777
Balance Due Within One Year	\$ 0	\$ 0

*Restated Balance – See Note I.D.8.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2018	\$	22,336,861
Less: Balance Due Within One Year		(2,414,382)
Less: Deferred Discount on Debt		(2,360)
Add: Unamortized Premium on Debt		<u>239,277</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	\$	<u><u>20,159,396</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.

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, 2018, was as follows:

Governmental Activities:

	Net OPEB Liability*
Balance, July 1, 2017	\$ 2,612,736
Additions	236,817
Reductions	<u>(229,796)</u>
Balance, June 30, 2018	<u><u>\$ 2,619,757</u></u>
Balance Due Within One Year	<u><u>\$ 0</u></u>

*Restated Balance - See Note I.D.8.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2018	\$	2,619,757
Less: Balance Due Within One Year		<u>0</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	\$	<u><u>2,619,757</u></u>

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

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Henderson County School Department. These payments are made by the state to the Local Education Group Insurance. 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 Local Education Group Insurance Plan for the year ended June 30, 2018, were \$71,028. 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; Statement No. 81, *Irrevocable Split-Interest Agreements*; Statement No. 85, *Omnibus 2017*; and Statement No. 86, *Certain Debt Extinguishment Issues* became effective for the year ended June 30, 2018.

GASB Statement No. 75, establishes accounting and reporting requirements for postemployment benefits other than pensions (other postemployment benefits or OPEB), which are included in the general purpose financial reports of state and local governmental OPEB plans. This statement replaces GASB Statements No. 45 and No. 57. The scope of this statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

GASB Statement No. 81, establishes accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary.

GASB Statement No. 85, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

GASB Statement No. 86, establishes guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also provides guidance for accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

C. 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.

D. Landfill Closure/Postclosure Care Costs

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

State and federal laws and regulations require the city and county to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Henderson County and the City of Lexington closed their sanitary landfill in 1997. The \$80,242 reported as postclosure care liability at June 30, 2018, represents the county's 50 percent share of the amounts based on what it would cost to perform all postclosure care in 2018. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

E. 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. Henderson County made no contributions to the airport for the year ended June 30, 2018.

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, 2018, the county contributed \$37,148 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

F. Retirement Commitments

1. Tennessee Consolidated Retirement System (TCRS)

Primary Government

General Information About the Pension Plan

Plan Description. Most employees of Henderson County and the non-certified employees of the discretely presented Henderson County School Department are provided a defined benefit pension plan (Henderson County Plan) through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprised 57.66 percent and the non-certified employees of the discretely presented School Department comprised 42.34 percent of the plan based on contribution data. In addition, certain other county employees are provided a defined benefit pension plan (Henderson County Judges, Officials, and Executives 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 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.

Member and beneficiary annuitants of the Henderson County Judges, Officials, and Executives Plan 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. A member who leaves employment may withdraw their employee contributions plus any accumulated interest.

Employees Covered by Benefit Terms. At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

Henderson County Plan:

Inactive Employees or Beneficiaries Currently Receiving Benefits	85
Inactive Employees Entitled to But Not Yet Receiving Benefits	279
Active Employees	329
Total	<u><u>693</u></u>

Henderson County Judges, Officials, and Executives Plan:

Inactive Employees or Beneficiaries Currently Receiving Benefits	4
Inactive Employees Entitled to But Not Yet Receiving Benefits	3
Active Employees	11
Total	<u><u>18</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. Henderson County makes employer contributions at the rate

set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2018, the employer contribution for the Henderson County Plan was \$281,049 based on a rate of 3.14 percent of covered payroll. For the year ended June 30, 2018, the employer contribution for the Henderson County Judges, Officials, and Executives Plan was \$74,051 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 actuarially determined contributions (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, 2017, 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, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Graded Salary Ranges from 8.72% to 3.46% Based on Age, Including Inflation, Averaging 4%
Investment Rate of Return	7.25%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.25%

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. 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, 2016, actuarial experience study. A blend of future capital market projections and historic market returns was used in a building-block method in which a best-estimate of expected future real rates of

return (expected returns, net of pension plan investments expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major 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	5.69	%	31	%
International Equity Emerging Market	5.29		14	
International Equity Private Equity and Strategic Lending	6.36		4	
U.S. Fixed Income	5.79		20	
Real Estate	2.01		20	
Short-term Securities	4.32		10	
	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 7.25 percent based on a blending of the factors described above.

Changes of Assumptions. In 2017, the following assumptions were changed: decreased inflation rate from three percent to 2.5 percent; decreased the investment rate of return from 7.5 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.5 to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of four percent; and modified the mortality assumptions.

Discount Rate. The discount rate used to measure the total pension liability was 7.25 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 Plan:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance, July 1, 2016	\$ 10,835,417	\$ 13,233,839	\$ (2,398,422)
Changes for the Year:			
Service Cost	\$ 611,784	\$ 0	\$ 611,784
Interest	841,237	0	841,237
Differences Between Expected and Actual Experience	69,974	0	69,974
Changes in Assumptions	413,068	0	413,068
Contributions-Employer	0	369,609	(369,609)
Contributions-Employees	0	434,842	(434,842)
Net Investment Income	0	1,517,812	(1,517,812)
Benefit Payments, Including Refunds of Employee Contributions	(461,426)	(461,426)	0
Administrative Expense	0	(27,960)	27,960
Other Changes	0	0	0
Net Changes	\$ 1,474,637	\$ 1,832,877	\$ (358,240)
Balance, June 30, 2017	\$ 12,310,054	\$ 15,066,716	\$ (2,756,662)

Henderson County Judges, Officials, and Executives Plan:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance, July 1, 2016	\$ 2,619,753	\$ 2,236,896	\$ 382,857
Changes for the Year:			
Service Cost	\$ 65,909	\$ 0	\$ 65,909
Interest	198,614	0	198,614
Differences Between Expected and Actual Experience	(166,167)	0	(166,167)
Changes in Assumptions	78,515	0	78,515
Contributions-Employer	0	71,517	(71,517)
Contributions-Employees	0	42,722	(42,722)
Net Investment Income	0	255,646	(255,646)
Benefit Payments, Including Refunds of Employee Contributions	(74,945)	(74,945)	0
Administrative Expense	0	(934)	934
Other Changes	0	0	0
Net Changes	\$ 101,926	\$ 294,006	\$ (192,080)
Balance, June 30, 2017	\$ 2,721,679	\$ 2,530,902	\$ 190,777

Henderson County Plan:

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

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	57.66%	\$ 7,097,977	\$ 8,687,468	\$ (1,589,491)
School Department	42.34%	5,212,077	6,379,248	(1,167,171)
Total		\$ 12,310,054	\$ 15,066,716	\$ (2,756,662)

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 7.25 percent, as well as what the net pension liability (asset) would be if it were

calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Henderson County Plan	6.25%	7.25%	8.25%

Net Pension Liability \$ (1,084,858) \$ (2,756,662) \$ (4,135,885)

	1% Decrease	Current Discount Rate	1% Increase
Judges, Officials, Exec.	6.25%	7.25%	8.25%

Net Pension Liability \$ 482,859 \$ 190,777 \$ (58,603)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

Pension Expense or Negative Pension Expense. For the year ended June 30, 2018, the Henderson County Plan recognized pension expense of \$30,283 and the Henderson County Judges, Officials, and Executives Plan recognized negative pension expense of (\$1,612).

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, Henderson County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Henderson County Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 112,403	\$ 224,136
Net Difference Between Projected and Actual Earnings on Pension Plan		
Investments	0	11,345
Changes in Assumptions	354,058	0
Contributions Subsequent to the Measurement Date of June 30, 2017 (1)	281,049	N/A
Total	<u>\$ 747,510</u>	<u>\$ 235,481</u>

Henderson County Judges, Officials, and Executives Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 0	\$ 185,060
Net Difference Between Projected and Actual Earnings on Pension Plan		
Investments	0	1,503
Changes in Assumptions	58,886	0
Contributions Subsequent to the Measurement Date of June 30, 2017 (1)	74,051	N/A
Total	<u>\$ 132,937</u>	<u>\$ 186,563</u>

- (1) The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2017,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Henderson County Plan:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government	\$ 429,449	\$ 135,779
School Department	318,061	99,702
Total	<u>\$ 747,510</u>	<u>\$ 235,481</u>

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 Plan:

Year Ending June 30	Amount
2019	\$ (11,503)
2020	160,385
2021	57,843
2022	(68,939)
2023	24,179
Thereafter	69,015

Henderson County Judges, Officials, and Executives Plan:

Year Ending June 30	Amount
2019	\$ (55,141)
2020	(23,327)
2021	(31,915)
2022	(17,294)
2023	0
Thereafter	0

In the table 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, most employees of Henderson County and the non-certified employees of the discretely presented Henderson County School Department are provided a defined benefit pension plan (Henderson County Plan) through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprised 57.66 percent and the non-certified employees of the discretely presented School Department comprised 42.34 percent of the plan based on contribution data. In addition, certain other county employees are provided a defined benefit pension plan (Henderson County Judges, Officials, and Executives 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 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 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. 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 or by automatic cost controls set out in law. Teachers are required to contribute five percent of their salary to the plan. 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, 2018, to the Teacher Retirement Plan were \$82,572, 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, 2018, the School Department reported a liability (asset) of (\$67,354) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2017, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The School Department’s proportion of the net pension liability (asset) was based on the 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, 2017, the School Department’s proportion was .255287 percent. The proportion as of June 30, 2016, was .244964 percent.

Pension Expense. For the year ended June 30, 2018, the School Department recognized pension expense of \$30,514.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the 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
	<u> </u>	<u> </u>
Difference Between Expected and Actual Experience	\$ 2,360	\$ 5,066
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	3,624
Changes in Assumptions	5,917	0
Changes in Proportion of Net Pension Liability (Asset)	907	1,143
LEA's Contributions Subsequent to the Measurement Date of June 30, 2017 (1)	<u>82,572</u>	N/A
Total	<u>\$ 91,756</u>	<u>\$ 9,833</u>

The School Department’s employer contributions of \$82,572, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension asset in the year ending June 30, 2019. 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
2019	\$ (359)
2020	(359)
2021	(567)
2022	(1,499)
2023	210
Thereafter	1,925

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, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Graded Salary Ranges from 8.72% to 3.46% Based on Age, Including Inflation, Averaging 4%
Investment Rate of Return	7.25%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.25%

Mortality rates are based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. 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, 2016, actuarial experience study. A blend of future capital market projections and historic market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS

investment policy target asset allocation for each major 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	5.69 %	31 %
International Equity Emerging Market	5.29	14
International Equity Private Equity and Strategic Lending	6.36	4
U.S. Fixed Income	5.79	20
Real Estate	2.01	20
Short-term Securities	4.32	10
	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 7.25 percent based on a blending of the factors described above.

Changes of Assumptions. In 2017, the following assumptions were changed: decreased inflation rate from three percent to 2.5 percent; decreased the investment rate of return from 7.5 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.5 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of four percent; and modified the mortality assumptions.

Discount Rate. The discount rate used to measure the total pension liability was 7.25 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 School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what the School Department's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
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Net Pension Liability	\$	13,438	\$	(67,354)	\$	(126,615)
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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 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. 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 are required to contribute five percent of their salaries. 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, 2018, to the Teacher Legacy Pension Plan were \$1,301,954, which is 9.08 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 Liability (Assets). At June 30, 2018, the School Department reported a liability (asset) of (\$135,025) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was

measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The School Department's proportion of the net pension liability (asset) was based on the 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, 2017, the School Department's proportion was .412689 percent. The proportion measured at June 30, 2016, was .398055 percent.

Pension Expense. For the year ended June 30, 2018, the School Department recognized pension expense of \$99,631.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the 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
Difference Between Expected and Actual Experience	\$ 81,403	\$ 2,787,633
Changes in Assumptions	1,143,584	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	20,496	0
Changes in Proportion of Net Pension Liability (Asset)	315,450	0
LEA's Contributions Subsequent to the Measurement Date of June 30, 2017	<u>1,301,954</u>	N/A
Total	<u>\$ 2,862,887</u>	<u>\$ 2,787,633</u>

The School Department's employer contributions of \$1,301,954 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a decrease in net pension liability in the year ending June 30, 2019. 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
2019	\$ (868,104)
2020	513,228
2021	(249,908)
2022	(621,916)
2023	0
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, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Graded Salary Ranges from 8.72% to 3.46% Based on Age, Including Inflation, Averaging 4%
Investment Rate of Return	7.25%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.25%

Mortality rates are based actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. 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, 2016, actuarial experience study. A blend of future capital market projections and historic market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS

investment policy target asset allocation for each major 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	5.69 %	31 %
International Equity Emerging Market	5.29	14
International Equity Private Equity and Strategic Lending	6.36	4
U.S. Fixed Income	5.79	20
Real Estate	2.01	20
Short-term Securities	4.32	10
	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 7.25 percent based on a blending of the factors described above.

Changes of Assumptions. In 2017, the following assumptions were changed: decreased inflation rate from three percent to 2.5 percent; decreased the investment rate of return from 7.5 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.5 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of four percent; and modified the mortality assumptions.

Discount Rate. The discount rate used to measure the total pension liability was 7.25 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 School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what the School Department's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease	Current Discount Rate	1% Increase
	6.25%	7.25%	8.25%

Net Pension Liability	\$	12,115,597	\$	(135,025)	\$	(10,260,971)
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Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

2. Deferred Compensation

Teachers hired after July 1, 2014, by the School Department are required to participate in a hybrid pension plan consisting of a defined benefit portion, which is detailed in the pensions footnote above and is managed by the Tennessee Consolidated Retirement System, and a defined contribution portion, which is placed into the state's 401 (K) plan and is managed by the employee. The defined contribution portion of the plan requires that the School Department contribute five percent of each teacher's salary into their deferred compensation plan. In addition, teachers are required to contribute two percent of their salaries into this deferred compensation plan, unless they opt out of the employee portion. During the year, the School Department contributed \$82,913 and teachers contributed \$18,152 to this deferred compensation pension plan.

G Other Postemployment Benefits (OPEB)

Henderson County and the discretely presented Henderson County School Department provide OPEB benefits to certain retirees under the state administered public entity risk pools. For reporting purposes, the plans are considered single employer defined benefit OPEB plans based on criteria in Statement No. 75 of the Governmental Accounting Standards Board (GASB). The plans are funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

OPEB Provided through State Administered Public Entity Risk Pools

Retirees of Henderson County and the Henderson County Highway Department (Hwy) are provided healthcare under separate Local Government Plans (LGPs) until they reach Medicare eligibility. The primary government's LGPs are combined for presentation purposes. Likewise, the School Department provides healthcare benefits to its employees under the Local Education Plan (LEP) until they reach Medicare eligibility. The certified retirees of the Henderson County School Department may then join the Tennessee Plan – Medicare (TNM), which provides supplemental medical insurance for retirees with Medicare. However, the School Department does not provide any subsidy (direct or indirect) to this plan and therefore does not recognize any OPEB liability associated with the TNM.

The county and School Department's total OPEB liability for each plan was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2017, actuarial valuation of each plan was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Inflation	2.25%
Salary Increases	Salary increases used in the July 1, 2017, TCRS actuarial valuation; 3.44% to 8.72%, including inflation
Discount Rate	3.56%
Healthcare Cost Trend Rates	LGP and LEP - Based on the Getzen Model, with trend starting at 7.5% for the 2018 calendar year, and gradually decreasing over a 33-year period to an ultimate trend rate of 3.53% with .18% added to approximate the effect of the excise tax
Retirees Share of Benefit	
Related Cost	Discussed under each plan

The discount rate was 3.56 percent, based on the daily rate of Fidelity's 20-Year Municipal GO AA index closest to but not later than the measurement date.

Mortality rates were based on the results of a statewide experience study undertaken on behalf of the Tennessee Consolidated Retirement System (TCRS). These mortality rates were used in the July 1, 2017, actuarial valuation of the TCRS.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017, Pension Actuarial Valuation of the TCRS. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2 percent load for males and a -3 percent load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10 percent load.

Changes in Assumptions. The discount rate changed from 2.92 percent as of the beginning of the measurement period to 3.56 percent as of the measurement date of June 30, 2017.

Closed Local Government OPEB Plan (Primary Government)

Plan Description. Employees of Henderson County and employees of the Highway Department who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Local Government Plan (LGP) administered by the Tennessee Department of Finance and Administration. All eligible pre-65 retired employees and disability participants of local governments, who choose coverage, participate in the LGP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits Provided. Henderson County offers the LGP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. With the exception of a small group of grandfathered individuals, retirees are required to discontinue coverage under the LGP upon obtaining Medicare eligibility. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-701 establishes and amends the benefit terms of the LGP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the LGP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. Henderson County does not provide a direct subsidy and is only subject to the implicit subsidy.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

	Benton County	Hwy Dept	Total
Inactive Employees or Beneficiaries Currently Receiving Benefits	0	0	0
Inactive Employees Entitled to But Not Yet Receiving Benefits	0	0	0
Active Employees	118	19	137
Total	<u>118</u>	<u>19</u>	<u>137</u>

An insurance committee, created in accordance with TCA 8-27-701, establishes the required payments to the LGP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2018, the county paid \$1,930 (Henderson County - \$1,930, Highway Dept - \$0) to the LGP for OPEB benefits as they came due.

Changes in the Total OPEB Liability

	Benton County	Hwy Dept.	Total OPEB Liability
Balance July 1, 2016	\$ 139,959	\$ 35,328	\$ 175,287
Changes for the Year:			
Service Cost	\$ 16,462	\$ 3,721	\$ 20,183
Interest	4,567	1,140	5,707
Changes in Benefit Terms	0	0	0
Difference between Expected and Actuarial Experience	0	0	0
Changes in Assumption and Other Inputs	(9,059)	(2,713)	(11,772)
Benefit Payments	0	0	0
Net Changes	<u>\$ 11,970</u>	<u>\$ 2,148</u>	<u>\$ 14,118</u>
Balance June 30, 2017	<u>\$ 151,929</u>	<u>\$ 37,476</u>	<u>\$ 189,405</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the county recognized OPEB expense of \$24,742 (Henderson County – \$20,123, Highway Dept - \$4,619). At June 30, 2018, the county reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience (Benton County \$0, Hwy \$0)	\$ 0	\$ 0
Changes of Assumptions/Inputs (DI - County \$8,153, Hwy \$2,471)	0	10,624
Net Difference Between Projected and Benefits paid after the measurement date (DO - County \$1,930, Hwy \$0)	<u>1,930</u>	<u>0</u>
Total	<u>\$ 1,930</u>	<u>\$ 10,624</u>

Amounts reported as deferred inflows and deferred outflows of resources (excluding benefits paid after the measurement date) related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	County	Hwy	Total Amount
2019	\$ (906)	\$ (242)	\$ (1,148)
2020	(906)	(242)	(1,148)
2021	(906)	(242)	(1,148)
2022	(906)	(242)	(1,148)
2023	(906)	(242)	(1,148)
Thereafter	(3,623)	(1,261)	(4,884)

In the table shown above positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the county calculated using the current discount rate as well as what the OPEB liability would be if it was calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 2.56%	Current Discount Rate 3.56%	1% Increase 4.56%
County	\$ 166,167	\$ 151,929	\$ 139,011
Hwy	41,761	37,476	33,458
Total OPEB Liability	\$ 207,928	\$ 189,405	\$ 172,469

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate. The following presents the total OPEB liability of the county calculated using the current healthcare cost trend rate, as well as what the OPEB liability would be if it was calculated using a trend rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 6 to 3.77%	Current Trend Rates 7 to 4.77%	1% Increase 8 to 5.77%
County	\$ 131,247	\$ 151,929	\$ 177,111
Hwy	31,216	37,476	45,064
Total OPEB Liability	\$ 162,463	\$ 189,405	\$ 222,175

Closed Local Education (LEP) OPEB Plan - Discretely Presented Henderson County School Department

Plan Description. Employees of the Henderson County School Department who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Local Education Plan (LEP) administered by the Tennessee Department of Finance and Administration. All eligible pre-65 retired teachers, support staff, and disability participants of local education agencies, who choose coverage, participate in the LEP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits Provided. The Henderson County School Department offers the LEP to provide health insurance coverage to eligible pre-65 retirees, support staff, and disabled participants of local education agencies. Retirees are required to discontinue coverage under the LEP upon obtaining Medicare eligibility. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-301 establishes and amends the benefit terms of the LEP. All members have the option of choosing between the premier preferred provider organization (PPO), standard

PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members of the LEP receive the same plan benefits as active employees at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for retiree premiums. The Henderson County School Department does not provide a direct subsidy and is only subject to the implicit subsidy. The state, as a governmental non-employer contributing entity, provides a direct subsidy for eligible retirees' premiums based on years of service. Therefore, retirees with 30 or more years of service will receive 45%; 20 but less than 30 years, 35%; and less than 20 years, 20% of the scheduled premium. No subsidy is provided for enrollees of the health savings CDHP.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

	<u>School Department</u>
Inactive Employees or Beneficiaries Currently Receiving Benefits	17
Inactive Employees Entitled to But Not Yet Receiving Benefits	0
Active Employees	456
Total	<u><u>473</u></u>

A state insurance committee, created in accordance with *TCA 8-27-301*, establishes the required payments to the LEP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the School Department paid \$121,846 to the LEP for OPEB benefits as they came due.

Changes in the Collective Total OPEB Liability

	<u>Share of Collective Liability</u>		
	<u>Henderson County School Department 63.821%</u>	<u>State of TN 36.179%</u>	<u>Total OPEB Liability</u>
Balance July 1, 2016	\$ 2,612,736	\$ 1,481,134	\$ 4,093,870
Changes for the Year:			
Service Cost	\$ 157,507	\$ 89,289	\$ 246,796
Interest	79,310	44,960	124,270
Changes in Benefit Terms	0	0	0
Difference between Expected and Actuarial Experience	0	0	0
Changes in Assumption and Other Inputs	(121,490)	(68,872)	(190,362)
Benefit Payments	(108,306)	(61,397)	(169,703)
Net Changes	<u>\$ 7,021</u>	<u>\$ 3,980</u>	<u>\$ 11,001</u>
Balance June 30, 2017	<u>\$ 2,619,757</u>	<u>\$ 1,485,114</u>	<u>\$ 4,104,871</u>

The Henderson County School Department has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the LEP. The Henderson County School Department's proportionate share of the collective total OPEB liability was based on a projection of the employers' long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The School Department recognized \$128,044 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the LEP for School Department retirees.

During the year, the Henderson County School Department's proportionate share of the collective OPEB liability was 63.821% and the State of Tennessee's share was 36.179%.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the School Department recognized OPEB expense of \$353,916, including the state's share of the expense. At June 30, 2018, the School Department reported deferred outflows of resources and deferred inflows of resources related to its proportionate share of OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 0	\$ 0
Changes of Assumptions/Inputs	0	110,545
Changes in Proportion and Differences Between Amounts Paid as Benefits Came Due and Proportionate Share Amounts Paid by the Employee and Nonemployer Contributors As Benefits Came Due	0	0
Benefits Paid After the Measurement Date	<u>121,846</u>	<u>0</u>
Total	<u>\$ 121,846</u>	<u>\$ 110,545</u>

Amounts reported as deferred inflows and deferred outflows of resources (excluding benefits paid after the measurement date) related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	School Department
2019	\$ (10,945)
2020	(10,945)
2021	(10,945)
2022	(10,945)
2023	(10,945)
Thereafter	(55,820)

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

Sensitivity of Proportionate Share of the Collective Total OPEB Liability to Changes in the Discount Rate. The following presents the School Department's proportionate share of the collective total OPEB liability related to the LEP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate.

<u>Discount Rate</u>	1% Decrease	Current Discount Rate	1% Increase
	2.56%	3.56%	4.56%

Proportionate Share of the Collective Total OPEB Liability	\$ 2,810,900	\$ 2,619,757	\$ 2,436,890
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Sensitivity of Proportionate Share of the Collective Total OPEB Liability to Changes in the Healthcare Cost Trend Rate. The following presents the School Department's proportionate share of the collective total OPEB liability related to the LEP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate.

<u>Healthcare Cost Trend Rate</u>	1% Decrease	Current Rates	1% Increase
	6.5 to 2.71%	7.5 to 3.71%	8.5 to 4.71%

Proportionate Share of the Collective Total OPEB Liability	\$ 2,315,839	\$ 2,619,757	\$ 2,981,864
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H. 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.

I. Purchasing Law

The County Financial Management System of 1981 provides for the finance director or a deputy appointed by her to serve as the county purchasing agent. The finance director serves as the purchasing agent for Henderson County. The Henderson County Financial Management Committee, with the assistance of the director of finance, established a purchasing system for the county that requires the issuance of purchase orders. The Financial Management Committee has also established that competitive bids are required to be solicited through newspaper advertisement on all purchases estimated to exceed \$25,000.

J. Subsequent Events

On August 15, 2018, Henderson County issued \$2,310,000 in general obligation bonds.

On August 31, 2018, Dan Hughes left the Office of County Mayor and was succeeded by Eddie Bray on September 1, 2018.

On August 31, 2018, David Frizzell left the Office of Trustee and was succeeded by John Cavness on September 1, 2018.

**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	2016	2017
Total Pension Liability				
Service Cost	\$ 478,864	\$ 543,125	\$ 582,639	\$ 611,784
Interest	652,941	718,253	791,784	841,237
Differences Between Actual and Expected Experience	32,965	67,018	(313,790)	69,974
Changes in Assumptions	0	0	0	413,068
Benefit Payments, Including Refunds of Employee Contributions	(340,827)	(375,581)	(399,405)	(461,426)
Net Change in Total Pension Liability	\$ 823,943	\$ 952,815	\$ 661,228	\$ 1,474,637
Total Pension Liability, Beginning	8,397,431	9,221,374	10,174,189	10,835,417
Total Pension Liability, Ending (a)	\$ 9,221,374	\$ 10,174,189	\$ 10,835,417	\$ 12,310,054
Plan Fiduciary Net Position				
Contributions - Employer	\$ 614,892	\$ 641,398	\$ 670,607	\$ 369,609
Contributions - Employee	349,768	378,628	397,144	434,842
Net Investment Income	1,564,166	355,817	332,851	1,517,812
Benefit Payments, Including Refunds of Employee Contributions	(340,827)	(375,581)	(399,405)	(461,426)
Administrative Expense	(10,654)	(15,239)	(23,258)	(27,960)
Other	0	0	4,472	0
Net Change in Plan Fiduciary Net Position	\$ 2,177,345	\$ 985,023	\$ 982,411	\$ 1,832,877
Plan Fiduciary Net Position, Beginning	9,089,060	11,266,405	12,251,428	13,233,839
Plan Fiduciary Net Position, Ending (b)	\$ 11,266,405	\$ 12,251,428	\$ 13,233,839	\$ 15,066,716
Net Pension Liability (Asset), Ending (a - b)	\$ (2,045,031)	\$ (2,077,239)	\$ (2,398,422)	\$ (2,756,662)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	122.18%	120.42%	122.14%	122.39%
Covered Payroll	\$ 6,995,362	\$ 7,570,158	\$ 7,917,431	\$ 8,635,752
Net Pension Liability (Asset) as a Percentage of Covered Payroll	29.23%	27.44%	30.29%	31.92%

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

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

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	2016	2017
Total Pension Liability				
Service Cost	\$ 62,155	\$ 64,449	\$ 65,504	\$ 65,909
Interest	169,073	181,085	190,272	198,614
Differences Between Actual and Expected Experience	(350)	(48,277)	(68,421)	(166,167)
Changes in Assumptions	0	0	0	78,515
Benefit Payments, Including Refunds of Employee Contributions	(72,479)	(73,537)	(78,113)	(74,945)
Net Change in Total Pension Liability	\$ 158,399	123,720	109,242	101,926
Total Pension Liability, Beginning	2,228,392	2,386,791	2,510,511	2,619,753
Total Pension Liability, Ending (a)	\$ 2,386,791	\$ 2,510,511	\$ 2,619,753	\$ 2,721,679
Plan Fiduciary Net Position				
Contributions - Employer	\$ 45,045	70,139	70,304	71,517
Contributions - Employee	40,654	41,899	41,998	42,722
Net Investment Income	289,854	63,559	57,365	255,646
Benefit Payments, Including Refunds of Employee Contributions	(72,479)	(73,537)	(78,113)	(74,945)
Administrative Expense	(493)	(558)	(823)	(934)
Net Change in Plan Fiduciary Net Position	\$ 302,581	\$ 101,502	\$ 90,731	\$ 294,006
Plan Fiduciary Net Position, Beginning	1,742,082	2,044,663	2,146,165	2,236,896
Plan Fiduciary Net Position, Ending (b)	\$ 2,044,663	\$ 2,146,165	\$ 2,236,896	\$ 2,530,902
Net Pension Liability (Asset), Ending (a - b)	\$ 342,128	\$ 364,346	\$ 382,857	\$ 190,777
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	85.67%	85.49%	85.39%	92.99%
Covered Payroll	\$ 813,084	\$ 837,985	\$ 839,951	\$ 854,441
Net Pension Liability (Asset) as a Percentage of Covered Payroll	42.08%	43.48%	45.58%	22.33%

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	2017	2018
Actuarially Determined Contribution	\$ 614,892	\$ 641,398	\$ 670,607	\$ 369,609	\$ 281,049
Less Contributions in Relation to the Actuarially Determined Contribution	(614,892)	(641,398)	(670,607)	(369,609)	(281,049)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 6,995,362	\$ 7,570,158	\$ 7,917,431	\$ 8,635,752	\$ 8,949,613
Contributions as a Percentage of Covered Payroll	8.79%	8.47%	8.47%	4.28%	3.14%

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

Note: data presented includes primary government and the non-certified employees of the discretely presented 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	2017	2018
Actuarially Determined Contribution	\$ 45,045	\$ 70,139	\$ 70,304	\$ 71,517	\$ 74,051
Less Contributions in Relation to the Actuarially Determined Contribution	(45,045)	(70,139)	(70,304)	(71,517)	(74,051)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 813,084	\$ 837,985	\$ 839,951	\$ 854,441	\$ 884,719
Contributions as a Percentage of Covered Payroll	5.54%	8.37%	8.37%	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

	2015	2016	2017	2018
Contractually Required Contribution	\$ 14,864	\$ 26,981	\$ 67,022	\$ 82,572
Less Contributions in Relation to the Contractually Required Contribution	(23,782)	(43,114)	(67,022)	(82,572)
Contribution Deficiency (Excess)	\$ (8,918)	\$ (16,133)	\$ 0	\$ 0
Covered Payroll	\$ 594,559	\$ 1,077,863	\$ 1,675,531	\$ 2,064,291
Contributions as a Percentage of Covered Payroll	4.00%	4.00%	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	2017	2018
Contractually Required Contribution	\$ 1,281,571	\$ 1,269,163	\$ 1,298,956	\$ 1,318,789	\$ 1,301,954
Less Contributions in Relation to the Contractually Required Contribution	(1,281,571)	(1,269,163)	(1,298,956)	(1,318,789)	(1,301,954)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 14,432,109	\$ 14,039,408	\$ 14,368,981	\$ 14,588,357	\$ 14,338,716
Contributions as a Percentage of Covered Payroll	8.88%	9.04%	9.04%	9.04%	9.08%

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 *

	2016	2017	2018
School Department's Proportion of the Net Pension Liability (Asset)	0.280246%	0.244964%	0.255287%
School Department's Proportionate Share of the Net Pension Liability (Asset)	\$ (11,512) \$	(25,502) \$	(67,354)
Covered Payroll	\$ 594,559 \$	1,077,863 \$	1,675,531
School Department's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	(1.94)%	(2.37)%	(4.02)%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	127.46%	121.88%	126.81%

* 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-8

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 *

	2015	2016	2017	2018
School Department's Proportion of the Net Pension Liability (Asset)	0.367698%	0.375034%	0.398055%	0.412689%
School Department's Proportionate Share of the Net Pension Liability (Asset)	\$ (59,749)	\$ 153,627	\$ 2,487,623	\$ (135,025)
Covered Payroll	\$ 14,432,109	\$ 14,039,408	\$ 14,368,981	\$ 14,588,357
School Department's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	(.41)%	1.09%	17.31%	(.93)%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%	99.81%	97.14%	100.14%

* 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 Changes in the Total OPEB Liability and Related Ratios - Local Government Plans
For the Fiscal Year Ended June 30

Henderson County Plan

	<u>2017</u>
Total OPEB Liability	
Service Cost	\$ 16,462
Interest	4,567
Changes in Benefit Terms	0
Differences Between Actual and Expected Experience	0
Changes in Assumptions or Other Inputs	(9,059)
Benefit Payments	<u>0</u>
Net Change in Total OPEB Liability	\$ 11,970
Total OPEB Liability, Beginning	<u>139,959</u>
 Total OPEB Liability, Ending	 <u><u>\$ 151,929</u></u>
 Covered Employee Payroll	 \$ 4,238,439
Net OPEB Liability as a Percentage of Covered Employee Payroll	3.58%

Highway Department Plan

	<u>2017</u>
Total OPEB Liability	
Service Cost	\$ 3,721
Interest	1,140
Changes in Benefit Terms	0
Differences Between Actual and Expected Experience	0
Changes in Assumptions or Other Inputs	(2,713)
Benefit Payments	<u>0</u>
Net Change in Total OPEB Liability	\$ 2,148
Total OPEB Liability, Beginning	<u>35,328</u>
 Total OPEB Liability, Ending	 <u><u>\$ 37,476</u></u>
 Covered Employee Payroll	 \$ 872,611
Net OPEB Liability as a Percentage of Covered Employee Payroll	4.29%

Note 1: Ten years of data will be presented when available.

Note 2: Changes in assumptions. Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2017	2.92%
2018	3.56%

Note 3: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Exhibit E-10

Henderson County, Tennessee
Schedule of Changes in the Total OPEB Liability and Related Ratios - Local Education Plan
Discretely Presented Decatur County School Department
For the Fiscal Year Ended June 30

	<u>2017</u>
Total OPEB Liability	
Service Cost	\$ 246,796
Interest	124,270
Changes in Benefit Terms	0
Differences Between Actual and Expected Experience	0
Changes in Assumptions or Other Inputs	(190,362)
Benefit Payments	<u>(169,703)</u>
Net Change in Total OPEB Liability	\$ 11,001
Total OPEB Liability, Beginning	<u>4,093,870</u>
 Total OPEB Liability, Ending	 <u>\$ 4,104,871</u>
 Nonemployer Contributing Entity Proportionate Share of the Total OPEB Liability	 \$ 1,485,114
Employer Proportionate Share of the Total OPEB Liability	2,619,757
 Covered Employee Payroll	 \$ 20,242,541
Net OPEB Liability as a Percentage of Covered Employee Payroll	12.94%

Note 1: Ten years of data will be presented when available.

Note 2: Changes in assumptions. Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2017	2.92%
2018	3.56%

Note 3: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

HENDERSON COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

Valuation Date: Actuarially determined contribution rates for fiscal year 2017 were calculated based on the June 30, 2016, actuarial valuation.

Methods and assumptions used to determine contribution rates:

Henderson County Employees:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Closed (Not to Exceed 20 Years)
Remaining Amortization Period	Varies by Year
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
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 Adjustment	2.5%

(Continued)

Henderson County Judges, Officials, and Executives:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Closed (Not to Exceed 20 Years)
Remaining Amortization Period	Varies by Year
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
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 Adjustment	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, 2018

	Special Revenue Funds				Debt Service Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total	Rural Debt Service	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 175,030	\$ 175,030	\$ 0	\$ 175,030
Equity in Pooled Cash and Investments	410,008	7,975	0	417,983	587,303	1,005,286
Accounts Receivable	59	0	56,840	56,899	0	56,899
Due from Other Governments	12,983	0	0	12,983	0	12,983
Property Taxes Receivable	469,802	0	0	469,802	0	469,802
Allowance for Uncollectible Property Taxes	(6,254)	0	0	(6,254)	0	(6,254)
Total Assets	\$ 886,598	\$ 7,975	\$ 231,870	\$ 1,126,443	\$ 587,303	\$ 1,713,746
<u>LIABILITIES</u>						
Due to Other Funds	\$ 0	\$ 0	\$ 370	\$ 370	\$ 0	\$ 370
Total Liabilities	\$ 0	\$ 0	\$ 370	\$ 370	\$ 0	\$ 370
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Deferred Current Property Taxes	\$ 450,696	\$ 0	\$ 0	\$ 450,696	\$ 0	\$ 450,696
Deferred Delinquent Property Taxes	11,983	0	0	11,983	0	11,983
Other Deferred/Unavailable Revenue	7,097	0	0	7,097	0	7,097
Total Deferred Inflows of Resources	\$ 469,776	\$ 0	\$ 0	\$ 469,776	\$ 0	\$ 469,776
<u>FUND BALANCES</u>						
Restricted:						
Restricted for Public Safety	\$ 0	\$ 7,975	\$ 0	\$ 7,975	\$ 0	\$ 7,975

(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 Debt Service	\$ 0	\$ 0	\$ 0	\$ 0	\$ 100,927	\$ 100,927
Committed:						
Committed for Finance	0	0	70,220	70,220	0	70,220
Committed for Administration of Justice	0	0	161,280	161,280	0	161,280
Committed for Public Health and Welfare	416,822	0	0	416,822	0	416,822
Committed for Debt Service	0	0	0	0	486,376	486,376
Total Fund Balances	<u>\$ 416,822</u>	<u>\$ 7,975</u>	<u>\$ 231,500</u>	<u>\$ 656,297</u>	<u>\$ 587,303</u>	<u>\$ 1,243,600</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 886,598</u>	<u>\$ 7,975</u>	<u>\$ 231,870</u>	<u>\$ 1,126,443</u>	<u>\$ 587,303</u>	<u>\$ 1,713,746</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, 2018

	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	\$ 551,471	\$ 0	\$ 0	\$ 551,471	\$ 0	\$ 551,471
Fines, Forfeitures, and Penalties	0	21,558	0	21,558	0	21,558
Charges for Current Services	21,623	0	1,037,297	1,058,920	0	1,058,920
Other Local Revenues	162,414	125	0	162,539	3,976	166,515
Other Governments and Citizens Groups	0	0	0	0	402,310	402,310
Total Revenues	\$ 735,508	\$ 21,683	\$ 1,037,297	\$ 1,794,488	\$ 406,286	\$ 2,200,774
<u>Expenditures</u>						
Current:						
Finance	\$ 0	\$ 0	\$ 563,464	\$ 563,464	\$ 0	\$ 563,464
Administration of Justice	0	0	432,908	432,908	0	432,908
Public Safety	0	88,546	0	88,546	0	88,546
Public Health and Welfare	663,094	0	0	663,094	0	663,094
Debt Service:						
Principal on Debt	0	0	0	0	290,000	290,000
Interest on Debt	0	0	0	0	112,310	112,310
Other Debt Service	0	0	0	0	1,942	1,942
Total Expenditures	\$ 663,094	\$ 88,546	\$ 996,372	\$ 1,748,012	\$ 404,252	\$ 2,152,264
Excess (Deficiency) of Revenues Over Expenditures	\$ 72,414	\$ (66,863)	\$ 40,925	\$ 46,476	\$ 2,034	\$ 48,510

(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	
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 1,130	\$ 0	\$ 0	\$ 1,130	\$ 0	\$ 1,130
Total Other Financing Sources (Uses)	\$ 1,130	\$ 0	\$ 0	\$ 1,130	\$ 0	\$ 1,130
Net Change in Fund Balances	\$ 73,544	\$ (66,863)	\$ 40,925	\$ 47,606	\$ 2,034	\$ 49,640
Fund Balance, July 1, 2017	343,278	74,838	190,575	608,691	585,269	1,193,960
Fund Balance, June 30, 2018	\$ 416,822	\$ 7,975	\$ 231,500	\$ 656,297	\$ 587,303	\$ 1,243,600

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, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 551,471	\$ 526,590	\$ 526,590	\$ 24,881
Charges for Current Services	21,623	0	0	21,623
Other Local Revenues	162,414	45,000	45,000	117,414
Total Revenues	<u>\$ 735,508</u>	<u>\$ 571,590</u>	<u>\$ 571,590</u>	<u>\$ 163,918</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Education/Information	\$ 663,094	\$ 573,995	\$ 661,928	\$ (1,166)
Total Expenditures	<u>\$ 663,094</u>	<u>\$ 573,995</u>	<u>\$ 661,928</u>	<u>\$ (1,166)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 72,414</u>	<u>\$ (2,405)</u>	<u>\$ (90,338)</u>	<u>\$ 162,752</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 1,130	0	0	1,130
Total Other Financing Sources	<u>\$ 1,130</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,130</u>
Net Change in Fund Balance	\$ 73,544	\$ (2,405)	\$ (90,338)	\$ 163,882
Fund Balance, July 1, 2017	343,278	300,000	300,000	43,278
Fund Balance, June 30, 2018	<u>\$ 416,822</u>	<u>\$ 297,595</u>	<u>\$ 209,662</u>	<u>\$ 207,160</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, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 21,558	\$ 55,000	\$ 55,000	\$ (33,442)
Other Local Revenues	125	0	0	125
Total Revenues	<u>\$ 21,683</u>	<u>\$ 55,000</u>	<u>\$ 55,000</u>	<u>\$ (33,317)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 88,546	\$ 48,300	\$ 93,300	\$ 4,754
Total Expenditures	<u>\$ 88,546</u>	<u>\$ 48,300</u>	<u>\$ 93,300</u>	<u>\$ 4,754</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (66,863)</u>	<u>\$ 6,700</u>	<u>\$ (38,300)</u>	<u>\$ (28,563)</u>
Net Change in Fund Balance	\$ (66,863)	\$ 6,700	\$ (38,300)	\$ (28,563)
Fund Balance, July 1, 2017	<u>74,838</u>	<u>75,000</u>	<u>75,000</u>	<u>(162)</u>
Fund Balance, June 30, 2018	<u><u>\$ 7,975</u></u>	<u><u>\$ 81,700</u></u>	<u><u>\$ 36,700</u></u>	<u><u>\$ (28,725)</u></u>

Exhibit F-5

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Rural Debt Service Fund
For the Year Ended June 30, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 3,976	\$ 5,000	\$ 5,000	\$ (1,024)
Other Governments and Citizens Groups	402,310	0	400,000	2,310
Total Revenues	<u>\$ 406,286</u>	<u>\$ 5,000</u>	<u>\$ 405,000</u>	<u>\$ 1,286</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 290,000	\$ 460,000	\$ 448,000	\$ 158,000
<u>Interest on Debt</u>				
Education	112,310	112,500	112,000	(310)
<u>Other Debt Service</u>				
Education	1,942	0	12,500	10,558
Total Expenditures	<u>\$ 404,252</u>	<u>\$ 572,500</u>	<u>\$ 572,500</u>	<u>\$ 168,248</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 2,034</u>	<u>\$ (567,500)</u>	<u>\$ (167,500)</u>	<u>\$ 169,534</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 400,000	\$ 0	\$ 0
Total Other Financing Sources	<u>\$ 0</u>	<u>\$ 400,000</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 2,034	\$ (167,500)	\$ (167,500)	\$ 169,534
Fund Balance, July 1, 2017	<u>585,269</u>	<u>580,000</u>	<u>580,000</u>	<u>5,269</u>
Fund Balance, June 30, 2018	<u><u>\$ 587,303</u></u>	<u><u>\$ 412,500</u></u>	<u><u>\$ 412,500</u></u>	<u><u>\$ 174,803</u></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, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,906,778	\$ 1,781,266	\$ 1,781,266	\$ 125,512
Other Local Revenues	24,542	30,000	30,000	(5,458)
Other Governments and Citizens Groups	104,076	0	104,076	0
Total Revenues	<u>\$ 2,035,396</u>	<u>\$ 1,811,266</u>	<u>\$ 1,915,342</u>	<u>\$ 120,054</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 1,326,750	\$ 1,430,000	\$ 1,326,750	\$ 0
Education	413,126	350,000	488,126	75,000
<u>Interest on Debt</u>				
General Government	473,255	596,519	554,412	81,157
Education	100,501	62,888	120,639	20,138
<u>Other Debt Service</u>				
General Government	30,334	0	47,500	17,166
Education	2,393	0	6,056	3,663
Total Expenditures	<u>\$ 2,346,359</u>	<u>\$ 2,439,407</u>	<u>\$ 2,543,483</u>	<u>\$ 197,124</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (310,963)</u>	<u>\$ (628,141)</u>	<u>\$ (628,141)</u>	<u>\$ 317,178</u>
Net Change in Fund Balance	\$ (310,963)	\$ (628,141)	\$ (628,141)	\$ 317,178
Fund Balance, July 1, 2017	<u>1,792,344</u>	<u>1,580,000</u>	<u>1,580,000</u>	<u>212,344</u>
Fund Balance, June 30, 2018	<u>\$ 1,481,381</u>	<u>\$ 951,859</u>	<u>\$ 951,859</u>	<u>\$ 529,522</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, 2018

	Agency Funds			Total
	Cities - Sales Tax	City School ADA -	Constitu - tional Officers - Agency	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 1,771,158	\$ 1,771,158
Equity in Pooled Cash and Investments	0	64,835	0	64,835
Accounts Receivable	0	177	8,189	8,366
Due from Other Governments	602,589	119,703	0	722,292
Property Taxes Receivable	0	476,405	0	476,405
Allowance for Uncollectible Property Taxes	0	(6,342)	0	(6,342)
Total Assets	<u>\$ 602,589</u>	<u>\$ 654,778</u>	<u>\$ 1,779,347</u>	<u>\$ 3,036,714</u>
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 602,589	\$ 654,778	\$ 0	\$ 1,257,367
Due to Litigants, Heirs, and Others	0	0	1,779,347	1,779,347
Total Liabilities	<u>\$ 602,589</u>	<u>\$ 654,778</u>	<u>\$ 1,779,347</u>	<u>\$ 3,036,714</u>

Exhibit H-2

Henderson County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2018

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 3,553,678	\$ 3,553,678	\$ 0
Due from Other Governments	581,222	602,589	581,222	602,589
Total Assets	\$ 581,222	\$ 4,156,267	\$ 4,134,900	\$ 602,589
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 581,222	\$ 4,156,267	\$ 4,134,900	\$ 602,589
Total Liabilities	\$ 581,222	\$ 4,156,267	\$ 4,134,900	\$ 602,589
<u>City School ADA - Lexington Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 64,640	\$ 1,188,056	\$ 1,187,861	\$ 64,835
Accounts Receivable	111	177	111	177
Due from Other Governments	121,332	119,703	121,332	119,703
Taxes Receivable	470,504	476,405	470,504	476,405
Allowance for Uncollectible Taxes	(7,938)	(6,342)	(7,938)	(6,342)
Total Assets	\$ 648,649	\$ 1,777,999	\$ 1,771,870	\$ 654,778
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 648,649	\$ 1,777,999	\$ 1,771,870	\$ 654,778
Total Liabilities	\$ 648,649	\$ 1,777,999	\$ 1,771,870	\$ 654,778
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,701,596	\$ 6,999,234	\$ 6,929,672	\$ 1,771,158
Accounts Receivable	4,947	8,189	4,947	8,189
Total Assets	\$ 1,706,543	\$ 7,007,423	\$ 6,934,619	\$ 1,779,347
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,706,543	\$ 7,007,423	\$ 6,934,619	\$ 1,779,347
Total Liabilities	\$ 1,706,543	\$ 7,007,423	\$ 6,934,619	\$ 1,779,347
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,701,596	\$ 6,999,234	\$ 6,929,672	\$ 1,771,158
Equity in Pooled Cash and Investments	64,640	4,741,734	4,741,539	64,835
Accounts Receivable	5,058	8,366	5,058	8,366
Due from Other Governments	702,554	722,292	702,554	722,292
Taxes Receivable	470,504	476,405	470,504	476,405
Allowance for Uncollectible Taxes	(7,938)	(6,342)	(7,938)	(6,342)
Total Assets	\$ 2,936,414	\$ 12,941,689	\$ 12,841,389	\$ 3,036,714
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,229,871	\$ 5,934,266	\$ 5,906,770	\$ 1,257,367
Due to Litigants, Heirs, and Others	1,706,543	7,007,423	6,934,619	1,779,347
Total Liabilities	\$ 2,936,414	\$ 12,941,689	\$ 12,841,389	\$ 3,036,714

Henderson County School Department

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

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

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

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

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

Exhibit I-1

Henderson County, Tennessee
Statement of Activities
Discretely Presented Henderson County School Department
For the Year Ended June 30, 2018

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	\$ 21,320,903	\$ 18,089	\$ 2,004,671	\$ (19,298,143)
Support Services	10,261,972	259,417	515,657	(9,486,898)
Operation of Non-instructional Services	2,979,458	506,408	2,278,061	(194,989)
Total Governmental Activities	<u>\$ 34,562,333</u>	<u>\$ 783,914</u>	<u>\$ 4,798,389</u>	<u>\$ (28,980,030)</u>
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 3,399,240
Local Option Sales Taxes				3,553,139
Other Local Taxes				156
Grants and Contributions Not Restricted to Specific Programs				23,770,509
Unrestricted Investment Income				4,893
Miscellaneous				81,169
Total General Revenues				<u>\$ 30,809,106</u>
Change in Net Position				\$ 1,829,076
Net Position, July 1, 2017				25,397,520
Restatement - See Note I.D.8.				<u>(1,523,292)</u>
Net Position, June 30, 2018				<u>\$ 25,703,304</u>

Exhibit I-2

Henderson County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Henderson County School Department
June 30, 2018

	<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	\$ 6,039,476	\$ 453,471	\$ 726,647	\$ 7,219,594
Accounts Receivable	2,453	131	38	2,622
Due from Other Governments	1,445,492	0	481,749	1,927,241
Due from Other Funds	14,699	0	2,883	17,582
Due from Primary Government	12,790	0	0	12,790
Property Taxes Receivable	2,387,148	1,042,513	0	3,429,661
Allowance for Uncollectible Property Taxes	(31,780)	(13,878)	0	(45,658)
Total Assets	<u>\$ 9,870,278</u>	<u>\$ 1,482,237</u>	<u>\$ 1,211,317</u>	<u>\$ 12,563,832</u>
<u>LIABILITIES</u>				
Payroll Deductions Payable	\$ 594,904	\$ 0	\$ 287	\$ 595,191
Cash Overdraft	0	0	68,390	68,390
Due to Other Funds	2,883	0	7,628	10,511
Total Liabilities	<u>\$ 597,787</u>	<u>\$ 0</u>	<u>\$ 76,305</u>	<u>\$ 674,092</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 2,290,065	\$ 1,000,115	\$ 0	\$ 3,290,180
Deferred Delinquent Property Taxes	61,623	26,592	0	88,215
Other Deferred/Unavailable Revenue	303,242	0	7,441	310,683
Total Deferred Inflows of Resources	<u>\$ 2,654,930</u>	<u>\$ 1,026,707</u>	<u>\$ 7,441</u>	<u>\$ 3,689,078</u>

(Continued)

Exhibit I-2

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

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>School</u>	<u>Funds</u>	
	<u>Purpose</u>	<u>Transpor -</u>	<u>Other</u>	<u>Governmental</u>
	<u>School</u>	<u>tation</u>	<u>Funds</u>	<u>Funds</u>
<u>FUND BALANCES</u>				
Restricted:				
Restricted for Education	\$ 0	\$ 259,872	\$ 886	\$ 260,758
Restricted for Operation of Non-instructional Services	0	0	726,685	726,685
Committed:				
Committed for Education	793,912	195,658	0	989,570
Assigned:				
Assigned for Education	0	0	400,000	400,000
Unassigned	5,823,649	0	0	5,823,649
Total Fund Balances	<u>\$ 6,617,561</u>	<u>\$ 455,530</u>	<u>\$ 1,127,571</u>	<u>\$ 8,200,662</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 9,870,278</u>	<u>\$ 1,482,237</u>	<u>\$ 1,211,317</u>	<u>\$ 12,563,832</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, 2018

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$	8,200,662
(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: buildings and improvements net of accumulated depreciation		17,177,305	
Add: infrastructure net of accumulated depreciation		69,311	
Add: other capital assets net of accumulated depreciation		<u>837,047</u>	19,235,324
(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	\$	(1,268,210)	
Less: net OPEB liability		<u>(2,619,757)</u>	(3,887,967)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be amortized and recognized as a component of pension and OPEB expense in future years.			
Add: deferred outflows of resources related to pensions	\$	3,272,704	
Less: deferred inflows of resources related to pensions		(2,897,168)	
Add: deferred outflows of resources related to OPEB		121,846	
Less: deferred inflows of resources related to OPEB		<u>(110,545)</u>	386,837
(4) Net pension assets are not current financial resources and therefore are not reported in the governmental funds.			
Add: net pension asset - agent plan	\$	1,167,171	
Add: net pension asset - teacher retirement plan		67,354	
Add: net pension asset - teacher legacy pension plan		<u>135,025</u>	1,369,550
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>398,898</u>
Net position of governmental activities (Exhibit A)			<u>\$ 25,703,304</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, 2018

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General Purpose School	School Transpor- tation	Other Govern- mental Funds	
<u>Revenues</u>				
Local Taxes	\$ 5,922,500	\$ 1,048,191	\$ 0	\$ 6,970,691
Licenses and Permits	1,903	0	0	1,903
Charges for Current Services	272,800	0	506,408	779,208
Other Local Revenues	95,617	433	4,993	101,043
State of Tennessee	23,881,376	0	0	23,881,376
Federal Government	808,061	0	3,800,927	4,608,988
Other Governments and Citizens Groups	7,500	0	0	7,500
Total Revenues	<u>\$ 30,989,757</u>	<u>\$ 1,048,624</u>	<u>\$ 4,312,328</u>	<u>\$ 36,350,709</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 19,217,656	\$ 0	\$ 1,348,131	\$ 20,565,787
Support Services	9,038,706	986,153	708,597	10,733,456
Operation of Non-Instructional Services	662,583	0	2,220,675	2,883,258
Capital Outlay	700,093	0	0	700,093
Debt Service:				
Other Debt Service	506,386	0	0	506,386
Total Expenditures	<u>\$ 30,125,424</u>	<u>\$ 986,153</u>	<u>\$ 4,277,403</u>	<u>\$ 35,388,980</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 864,333</u>	<u>\$ 62,471</u>	<u>\$ 34,925</u>	<u>\$ 961,729</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 7,070	\$ 0	\$ 0	\$ 7,070
Transfers Out	0	0	(7,070)	(7,070)
Total Other Financing Sources (Uses)	<u>\$ 7,070</u>	<u>\$ 0</u>	<u>\$ (7,070)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ 871,403	\$ 62,471	\$ 27,855	\$ 961,729
Fund Balance, July 1, 2017	5,746,158	393,059	1,099,716	7,238,933
Fund Balance, June 30, 2018	<u>\$ 6,617,561</u>	<u>\$ 455,530</u>	<u>\$ 1,127,571</u>	<u>\$ 8,200,662</u>

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, 2018

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)		\$	961,729
(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	\$	905,720	
Less: current-year depreciation expense		<u>(1,392,375)</u>	(486,655)
(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, 2018	\$	398,898	
Less: deferred delinquent property taxes and other deferred June 30, 2017		<u>(358,198)</u>	40,700
(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			84,876
(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 net OPEB liability (net of restatement)	\$	(7,021)	
Change in deferred outflows related to OPEB (net of restatement)		13,540	
Change in deferred inflows related to OPEB		(110,545)	
Change in net pension asset - agent plan		129,134	
Change in net pension asset - teacher retirement plan		41,852	
Change in net pension asset - teacher legacy pension plan		2,622,648	
Change in deferred outflows related to pensions		(1,695,048)	
Change in deferred inflows related to pensions		<u>233,866</u>	<u>1,228,426</u>
Change in net position of governmental activities (Exhibit B)			<u>\$ 1,829,076</u>

Exhibit I-6

Henderson County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Henderson County School Department
June 30, 2018

	<u>Special Revenue Funds</u>		Total
	School	Central	Nonmajor
	Federal	Cafeteria	Governmental
	Projects		Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 0	\$ 726,647	\$ 726,647
Accounts Receivable	0	38	38
Due from Other Governments	481,749	0	481,749
Due from Other Funds	2,883	0	2,883
Total Assets	<u>\$ 484,632</u>	<u>\$ 726,685</u>	<u>\$ 1,211,317</u>
<u>LIABILITIES</u>			
Payroll Deductions Payable	\$ 287	\$ 0	\$ 287
Cash Overdraft	68,390	0	68,390
Due to Other Funds	7,628	0	7,628
Total Liabilities	<u>\$ 76,305</u>	<u>\$ 0</u>	<u>\$ 76,305</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Other Deferred/Unavailable Revenue	\$ 7,441	\$ 0	\$ 7,441
Total Deferred Inflows of Resources	<u>\$ 7,441</u>	<u>\$ 0</u>	<u>\$ 7,441</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 886	\$ 0	\$ 886
Restricted for Operation of Non-instructional Services	0	726,685	726,685
Assigned:			
Assigned for Education	400,000	0	400,000
Total Fund Balances	<u>\$ 400,886</u>	<u>\$ 726,685</u>	<u>\$ 1,127,571</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 484,632</u>	<u>\$ 726,685</u>	<u>\$ 1,211,317</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, 2018

	<u>Special Revenue Funds</u>		Total
	School Federal Projects	Central Cafeteria	Nonmajor Governmental Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 506,408	\$ 506,408
Other Local Revenues	0	4,993	4,993
Federal Government	2,064,684	1,736,243	3,800,927
Total Revenues	<u>\$ 2,064,684</u>	<u>\$ 2,247,644</u>	<u>\$ 4,312,328</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,348,131	\$ 0	\$ 1,348,131
Support Services	708,597	0	708,597
Operation of Non-Instructional Services	0	2,220,675	2,220,675
Total Expenditures	<u>\$ 2,056,728</u>	<u>\$ 2,220,675</u>	<u>\$ 4,277,403</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 7,956</u>	<u>\$ 26,969</u>	<u>\$ 34,925</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (7,070)	\$ 0	\$ (7,070)
Total Other Financing Sources (Uses)	<u>\$ (7,070)</u>	<u>\$ 0</u>	<u>\$ (7,070)</u>
Net Change in Fund Balances	\$ 886	\$ 26,969	\$ 27,855
Fund Balance, July 1, 2017	400,000	699,716	1,099,716
Fund Balance, June 30, 2018	<u>\$ 400,886</u>	<u>\$ 726,685</u>	<u>\$ 1,127,571</u>

Exhibit I-8

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Henderson County School Department
General Purpose School Fund
For the Year Ended June 30, 2018

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 5,922,500	\$ 0	\$ 5,922,500	\$ 5,729,539	\$ 5,729,539	\$ 192,961
Licenses and Permits	1,903	0	1,903	2,000	2,000	(97)
Charges for Current Services	272,800	0	272,800	279,000	279,000	(6,200)
Other Local Revenues	95,617	0	95,617	137,500	138,846	(43,229)
State of Tennessee	23,881,376	0	23,881,376	23,287,285	23,534,194	347,182
Federal Government	808,061	0	808,061	1,106,000	1,235,511	(427,450)
Other Governments and Citizens Groups	7,500	0	7,500	0	7,500	0
Total Revenues	\$ 30,989,757	\$ 0	\$ 30,989,757	\$ 30,541,324	\$ 30,926,590	\$ 63,167
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 14,827,580	\$ 0	\$ 14,827,580	\$ 15,228,000	\$ 15,233,000	\$ 405,420
Alternative Instruction Program	37,884	0	37,884	47,700	47,700	9,816
Special Education Program	2,459,274	0	2,459,274	2,677,500	2,676,784	217,510
Career and Technical Education Program	1,139,947	0	1,139,947	1,149,950	1,157,525	17,578
Adult Education Program	752,971	0	752,971	913,686	929,395	176,424
<u>Support Services</u>						
Attendance	86,574	0	86,574	104,125	104,125	17,551
Health Services	437,107	0	437,107	385,280	475,281	38,174
Other Student Support	902,645	0	902,645	864,200	941,700	39,055
Regular Instruction Program	1,059,108	0	1,059,108	1,143,500	1,148,500	89,392
Alternative Instruction Program	71,276	0	71,276	75,300	75,300	4,024
Special Education Program	339,749	0	339,749	270,500	343,800	4,051
Career and Technical Education Program	99,719	0	99,719	102,000	102,000	2,281
Technology	1,183,907	0	1,183,907	1,315,000	1,199,000	15,093

(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 7/1/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Support Services (Cont.)</u>						
Adult Programs	\$ 121,653	\$ 0	\$ 121,653	\$ 134,237	\$ 138,046	\$ 16,393
Other Programs	71,028	0	71,028	0	158,008	86,980
Board of Education	504,204	0	504,204	551,650	551,650	47,446
Director of Schools	178,668	0	178,668	195,000	195,000	16,332
Office of the Principal	1,092,577	0	1,092,577	1,112,250	1,112,250	19,673
Fiscal Services	109,634	0	109,634	214,800	139,800	30,166
Operation of Plant	2,049,553	0	2,049,553	2,308,600	2,291,600	242,047
Maintenance of Plant	489,503	0	489,503	559,500	576,500	86,997
Transportation	241,801	0	241,801	152,750	268,750	26,949
<u>Operation of Non-Instructional Services</u>						
Food Service	79,567	0	79,567	85,075	85,075	5,508
Community Services	61,211	0	61,211	0	75,880	14,669
Early Childhood Education	521,805	0	521,805	505,284	530,285	8,480
<u>Capital Outlay</u>						
Regular Capital Outlay	700,093	(54,927)	645,166	880,000	880,000	234,834
<u>Principal on Debt</u>						
Education	0	0	0	85,000	0	0
<u>Interest on Debt</u>						
Education	0	0	0	145,000	0	0
<u>Other Debt Service</u>						
Education	506,386	0	506,386	295,000	525,000	18,614
Total Expenditures	\$ 30,125,424	\$ (54,927)	\$ 30,070,497	\$ 31,500,887	\$ 31,961,954	\$ 1,891,457

(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 7/1/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Excess (Deficiency) of Revenues Over Expenditures	\$ 864,333	\$ 54,927	\$ 919,260	\$ (959,563)	\$ (1,035,364)	\$ 1,954,624
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 7,070	\$ 0	\$ 7,070	\$ 0	\$ 0	\$ 7,070
Total Other Financing Sources	\$ 7,070	\$ 0	\$ 7,070	\$ 0	\$ 0	\$ 7,070
Net Change in Fund Balance	\$ 871,403	\$ 54,927	\$ 926,330	\$ (959,563)	\$ (1,035,364)	\$ 1,961,694
Fund Balance, July 1, 2017	5,746,158	(54,927)	5,691,231	5,003,500	5,003,500	687,731
Fund Balance, June 30, 2018	\$ 6,617,561	\$ 0	\$ 6,617,561	\$ 4,043,937	\$ 3,968,136	\$ 2,649,425

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, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 0	\$ 0	\$ 10,713	\$ (10,713)
Federal Government	2,064,684	2,051,389	2,240,450	(175,766)
Total Revenues	\$ 2,064,684	\$ 2,051,389	\$ 2,251,163	\$ (186,479)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 651,927	\$ 637,992	\$ 708,057	\$ 56,130
Special Education Program	584,857	580,758	565,377	(19,480)
Career and Technical Education Program	111,347	108,491	111,347	0
<u>Support Services</u>				
Other Student Support	141,809	154,061	170,864	29,055
Regular Instruction Program	298,174	280,954	383,250	85,076
Special Education Program	91,104	68,540	97,973	6,869
Transportation	177,510	213,523	207,226	29,716
Total Expenditures	\$ 2,056,728	\$ 2,044,319	\$ 2,244,094	\$ 187,366
Excess (Deficiency) of Revenues Over Expenditures	\$ 7,956	\$ 7,070	\$ 7,069	\$ 887
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (7,070)	\$ (7,070)	\$ (7,070)	\$ 0
Total Other Financing Sources	\$ (7,070)	\$ (7,070)	\$ (7,070)	\$ 0
Net Change in Fund Balance	\$ 886	\$ 0	\$ (1)	\$ 887
Fund Balance, July 1, 2017	400,000	400,000	400,000	0
Fund Balance, June 30, 2018	\$ 400,886	\$ 400,000	\$ 399,999	\$ 887

Exhibit I-10

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Henderson County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 506,408	\$ 600,000	\$ 600,000	\$ (93,592)
Other Local Revenues	4,993	0	0	4,993
Federal Government	1,736,243	1,401,700	1,401,700	334,543
Total Revenues	<u>\$ 2,247,644</u>	<u>\$ 2,001,700</u>	<u>\$ 2,001,700</u>	<u>\$ 245,944</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 2,220,675	\$ 2,222,700	\$ 2,222,700	\$ 2,025
Total Expenditures	<u>\$ 2,220,675</u>	<u>\$ 2,222,700</u>	<u>\$ 2,222,700</u>	<u>\$ 2,025</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 26,969</u>	<u>\$ (221,000)</u>	<u>\$ (221,000)</u>	<u>\$ 247,969</u>
Net Change in Fund Balance	\$ 26,969	\$ (221,000)	\$ (221,000)	\$ 247,969
Fund Balance, July 1, 2017	<u>699,716</u>	<u>600,000</u>	<u>600,000</u>	<u>99,716</u>
Fund Balance, June 30, 2018	<u>\$ 726,685</u>	<u>\$ 379,000</u>	<u>\$ 379,000</u>	<u>\$ 347,685</u>

Exhibit I-11

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Henderson County School Department
School Transportation Fund
For the Year Ended June 30, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,048,191	\$ 1,000,957	\$ 1,000,957	\$ 47,234
Other Local Revenues	433	0	0	433
Total Revenues	<u>\$ 1,048,624</u>	<u>\$ 1,000,957</u>	<u>\$ 1,000,957</u>	<u>\$ 47,667</u>
<u>Expenditures</u>				
<u>Support Services</u>				
Board of Education	\$ 20,695	\$ 27,000	\$ 27,000	\$ 6,305
Transportation	965,458	1,237,900	1,237,900	272,442
Total Expenditures	<u>\$ 986,153</u>	<u>\$ 1,264,900</u>	<u>\$ 1,264,900</u>	<u>\$ 278,747</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 62,471</u>	<u>\$ (263,943)</u>	<u>\$ (263,943)</u>	<u>\$ 326,414</u>
Net Change in Fund Balance	\$ 62,471	\$ (263,943)	\$ (263,943)	\$ 326,414
Fund Balance, July 1, 2017	<u>393,059</u>	<u>350,000</u>	<u>350,000</u>	<u>43,059</u>
Fund Balance, June 30, 2018	<u>\$ 455,530</u>	<u>\$ 86,057</u>	<u>\$ 86,057</u>	<u>\$ 369,473</u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

Henderson County, Tennessee
Schedule of Changes in Long-term Notes, Capital Leases, Other Loans, and Bonds
For the Year Ended June 30, 2018

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-17	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-18
<u>NOTE PAYABLE</u>								
<u>Payable through General Fund</u>								
Capital Outlay Note, Series 2010	\$ 405,000	3 %	8-27-10	4-1-18	\$ 70,000	\$ 0	\$ 70,000	\$ 0
Total Note Payable					<u>\$ 70,000</u>	<u>\$ 0</u>	<u>\$ 70,000</u>	<u>\$ 0</u>
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through Highway/Public Works Fund</u>								
Caterpillar Asphalt Compactor	105,668	3.19	7-26-17	7-26-20	\$ 0	\$ 105,668	\$ 34,873	\$ 70,795
Freightliner	166,250	2.39	7-28-17	7-28-20	0	166,250	44,993	121,257
Total Capital Leases Payable					<u>\$ 0</u>	<u>\$ 271,918</u>	<u>\$ 79,866</u>	<u>\$ 192,052</u>
<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	\$ 1,353,086	\$ 0	\$ 84,876	\$ 1,268,210
Total Other Loan Payable					<u>\$ 1,353,086</u>	<u>\$ 0</u>	<u>\$ 84,876</u>	<u>\$ 1,268,210</u>
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
G.O. Bonds, Series 2008	9,500,000	3.75 to 4.75	12-11-08	4-1-21	\$ 2,500,000	\$ 0	\$ 500,000	\$ 2,000,000
G.O. Bonds, Series 2009	5,400,000	1.75 to 4.15	11-10-09	4-1-29	5,200,000	0	350,000	4,850,000
G.O. Refunding Bonds, Series 2012	4,035,000	1 to 2.5	7-12-12	4-1-24	2,035,000	0	270,000	1,765,000
G.O. Refunding Bonds, Series 2015	9,300,000	2 to 3	6-10-15	4-1-29	8,575,000	0	535,000	8,040,000
Total Payable through General Debt Service Fund					<u>\$ 18,310,000</u>	<u>\$ 0</u>	<u>\$ 1,655,000</u>	<u>\$ 16,655,000</u>
<u>Payable through Rural Debt Service Fund</u>								
Rural School Bonds, Series 2013	5,000,000	2 to 3.75	8-1-13	4-1-29	\$ 3,865,000	\$ 0	\$ 290,000	\$ 3,575,000
Total Bonds Payable					<u>\$ 22,175,000</u>	<u>\$ 0</u>	<u>\$ 1,945,000</u>	<u>\$ 20,230,000</u>

Exhibit J-2

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

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2019	\$ 90,407	\$ 2,839	\$ 93,246
2020	92,093	1,154	93,247
2021	9,552	28	9,580
Total	\$ 192,052	\$ 4,021	\$ 196,073

Year Ending June 30	Other Loan			
	Principal	Interest	Other Fees	Total
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	\$ 1,268,210	\$ 122,451	\$ 7,552	\$ 1,398,213

Year Ending June 30	Bonds		
	Principal	Interest	Total
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	\$ 20,230,000	\$ 3,500,485	\$ 23,730,485

Exhibit J-3

Henderson County, Tennessee
Schedule of Transfers
Discretely Presented Henderson County School Department
For the Year Ended June 30, 2018

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 7,070</u>
Total Transfers Discretely Presented Henderson County School Department			<u><u>\$ 7,070</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, 2018

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <i>TCA</i>	\$ 83,946	\$ 100,000	State Automobile Mutual Insurance Company
Road Supervisor	Section 8-24-102, <i>TCA</i>	79,950	100,000	Western Surety Company
Director of Schools	State Board of Education and County Board of Education	106,500 (1)	100,000	"
Trustee	Section 8-24-102, <i>TCA</i> , and County Commission	74,182 (2)	950,000	Auto-Owners Insurance Company
Assessor of Property	Section 8-24-102, <i>TCA</i>	72,682	50,000	Western Surety Company
Director of Finance	County Commission	72,681	100,000	State Automobile Mutual Insurance Company
County Clerk	Section 8-24-102, <i>TCA</i> , and County Commission	74,182 (2)	100,000	"
Circuit, General Sessions, and Juvenile Courts Clerk	Section 8-24-102, <i>TCA</i> , and County Commission	81,450 (2,3)	200,000	"
Clerk and Master	Section 8-24-102, <i>TCA</i> , and County Commission	81,450 (2,3,4)	100,000	"
Register of Deeds	Section 8-24-102, <i>TCA</i> and County Commission	74,182 (2)	100,000	"
Sheriff	Section 8-24-102, <i>TCA</i>	79,950 (5)	100,000	"
Employee Blanket Bonds:				
County Departments and Highway Department			400,000	Tennessee Risk Management Trust
School Department			400,000	"

- (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 \$7,268 for multiple courts.
- (4) Does not include special commissioner fees of \$10,359.
- (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, 2018

	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	\$ 4,355,923	\$ 438,096	\$ 0	\$ 0	\$ 229,478	\$ 860,329
Trustee's Collections - Prior Year	132,684	13,254	0	0	6,873	31,390
Circuit Clerk/Clerk and Master Collections - Prior Years	33,469	3,363	0	0	1,759	6,874
Interest and Penalty	29,381	2,936	0	0	1,484	6,087
Payments in-Lieu-of Taxes - T.V.A.	3,087	311	0	0	163	610
Payments in-Lieu-of Taxes - Local Utilities	70,512	7,092	0	0	3,715	13,927
<u>County Local Option Taxes</u>						
Local Option Sales Tax	81,701	79,317	0	0	0	0
Hotel/Motel Tax	122,726	0	0	0	0	0
Wheel Tax	0	0	0	0	0	973,614
Litigation Tax - General	180,615	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	66,218	0	0	0	0	0
Business Tax	291,851	0	0	0	0	0
Mixed Drink Tax	174	0	0	0	0	0
<u>Statutory Local Taxes</u>						
Bank Excise Tax	70,615	7,102	0	0	3,720	13,947
Wholesale Beer Tax	87,089	0	0	0	0	0
Total Local Taxes	\$ 5,526,045	\$ 551,471	\$ 0	\$ 0	\$ 247,192	\$ 1,906,778
<u>Licenses and Permits</u>						
<u>Permits</u>						
Beer Permits	\$ 1,235	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Licenses and Permits	\$ 1,235	\$ 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	Constitutional Officers - Fees	Highway / Public Works	Funds General Debt Service
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 52,716	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	3,058	0	0	0	0	0
Drug Control Fines	8,189	0	8,837	0	0	0
DUI Treatment Fines	617	0	0	0	0	0
Data Entry Fee - Circuit Court	15,950	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	71,869	0	0	0	0	0
Officers Costs	44,725	0	0	0	0	0
Game and Fish Fines	533	0	0	0	0	0
Drug Control Fines	3,225	0	3,428	0	0	0
Drug Court Fees	5,862	0	0	0	0	0
Jail Fees	78,050	0	0	0	0	0
DUI Treatment Fines	8,737	0	0	0	0	0
<u>Juvenile Court</u>						
Fines	1,334	0	0	0	0	0
<u>Chancery Court</u>						
Officers Costs	279	0	0	0	0	0
Data Entry Fee - Chancery Court	1,962	0	0	0	0	0
<u>Judicial District Drug Program</u>						
Drug Task Force Forfeitures and Seizures	0	0	9,293	0	0	0
Courtroom Security Fee	165,323	0	0	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 462,429	\$ 0	\$ 21,558	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Funds
	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	\$ 21,623	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fees</u>						
Copy Fees	68	0	0	0	0	0
Telephone Commissions	47,908	0	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	1,037,297	0	0
Data Processing Fee - Register	8,518	0	0	0	0	0
Data Processing Fee - Sheriff	12,614	0	0	0	0	0
Sexual Offender Registration Fee - Sheriff	5,250	0	0	0	0	0
Data Processing Fee - County Clerk	362	0	0	0	0	0
Total Charges for Current Services	<u>\$ 74,720</u>	<u>\$ 21,623</u>	<u>\$ 0</u>	<u>\$ 1,037,297</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 39,579	\$ 0	\$ 0	\$ 0	\$ 0	\$ 24,542
Lease/Rentals	26,400	0	0	0	0	0
Sale of Materials and Supplies	52	0	0	0	359	0
Commissary Sales	134,303	0	0	0	0	0
Sale of Recycled Materials	0	161,394	0	0	3,160	0
Miscellaneous Refunds	38,456	1,020	125	0	2,406	0
<u>Nonrecurring Items</u>						
Sale of Equipment	526	0	0	0	0	0
Damages Recovered from Individuals	700	0	0	0	0	0
<u>Other Local Revenues</u>						
Other Local Revenues	1,840	0	0	0	0	0
Total Other Local Revenues	<u>\$ 241,856</u>	<u>\$ 162,414</u>	<u>\$ 125</u>	<u>\$ 0</u>	<u>\$ 5,925</u>	<u>\$ 24,542</u>

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Funds
	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>						
Circuit Court Clerk	\$ 169,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Trustee	116,535	0	0	0	0	0
<u>Fees In-Lieu-of Salary</u>						
Clerk and Master	85,177	0	0	0	0	0
Register	101,795	0	0	0	0	0
Sheriff	38,586	0	0	0	0	0
Total Fees Received From County Officials	<u>\$ 511,093</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	\$ 9,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Public Works Grants</u>						
State Aid Program	0	0	0	0	314,916	0
Litter Program	44,690	0	0	0	0	0
<u>Other State Revenues</u>						
Income Tax	31,131	0	0	0	0	0
Beer Tax	17,839	0	0	0	0	0
Vehicle Certificate of Title Fees	10,657	0	0	0	0	0
Alcoholic Beverage Tax	71,475	0	0	0	0	0
State Revenue Sharing - Telecommunications	33,255	0	0	0	0	0
Contracted Prisoner Boarding	1,294,381	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	2,270,390	0
Petroleum Special Tax	0	0	0	0	19,994	0
Registrar's Salary Supplement	15,164	0	0	0	0	0
Other State Grants	38,000	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	\$ 49,580	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total State of Tennessee	\$ 1,615,672	\$ 0	\$ 0	\$ 0	\$ 2,605,300	\$ 0
<u>Federal Government</u>						
<u>Federal Through State</u>						
Civil Defense Reimbursement	\$ 30,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Federal through State	124,493	0	0	0	0	0
Total Federal Government	\$ 154,493	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 146,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 104,076
Contracted Services	143,000	0	0	0	0	0
<u>Other</u>						
Other	267,645	0	0	0	0	0
Total Other Governments and Citizens Groups	\$ 556,645	\$ 0	\$ 0	\$ 0	\$ 0	\$ 104,076
Total	\$ 9,144,188	\$ 735,508	\$ 21,683	\$ 1,037,297	\$ 2,858,417	\$ 2,035,396

(Continued)

Exhibit J-5

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

	Debt Service Fund Rural Debt Service	Total
<u>Local Taxes</u>		
<u>County Property Taxes</u>		
Current Property Tax	\$ 0	\$ 5,883,826
Trustee's Collections - Prior Year	0	184,201
Circuit Clerk/Clerk and Master Collections - Prior Years	0	45,465
Interest and Penalty	0	39,888
Payments in-Lieu-of Taxes - T.V.A.	0	4,171
Payments in-Lieu-of Taxes - Local Utilities	0	95,246
<u>County Local Option Taxes</u>		
Local Option Sales Tax	0	161,018
Hotel/Motel Tax	0	122,726
Wheel Tax	0	973,614
Litigation Tax - General	0	180,615
Litigation Tax - Jail, Workhouse, or Courthouse	0	66,218
Business Tax	0	291,851
Mixed Drink Tax	0	174
<u>Statutory Local Taxes</u>		
Bank Excise Tax	0	95,384
Wholesale Beer Tax	0	87,089
Total Local Taxes	<u>\$ 0</u>	<u>\$ 8,231,486</u>
<u>Licenses and Permits</u>		
<u>Permits</u>		
Beer Permits	\$ 0	\$ 1,235
Total Licenses and Permits	<u>\$ 0</u>	<u>\$ 1,235</u>

(Continued)

Exhibit J-5

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

	Debt Service Fund Rural Debt Service	Total
<u>Fines, Forfeitures, and Penalties</u>		
<u>Circuit Court</u>		
Fines	\$ 0	\$ 52,716
Officers Costs	0	3,058
Drug Control Fines	0	17,026
DUI Treatment Fines	0	617
Data Entry Fee - Circuit Court	0	15,950
<u>General Sessions Court</u>		
Fines	0	71,869
Officers Costs	0	44,725
Game and Fish Fines	0	533
Drug Control Fines	0	6,653
Drug Court Fees	0	5,862
Jail Fees	0	78,050
DUI Treatment Fines	0	8,737
<u>Juvenile Court</u>		
Fines	0	1,334
<u>Chancery Court</u>		
Officers Costs	0	279
Data Entry Fee - Chancery Court	0	1,962
<u>Judicial District Drug Program</u>		
Drug Task Force Forfeitures and Seizures	0	9,293
Courtroom Security Fee	0	165,323
Total Fines, Forfeitures, and Penalties	<u>\$ 0</u>	<u>\$ 483,987</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	\$ 21,623
<u>Fees</u>		
Copy Fees	0	68
Telephone Commissions	0	47,908
Constitutional Officers' Fees and Commissions	0	1,037,297
Data Processing Fee - Register	0	8,518
Data Processing Fee - Sheriff	0	12,614
Sexual Offender Registration Fee - Sheriff	0	5,250
Data Processing Fee - County Clerk	0	362
Total Charges for Current Services	<u>\$ 0</u>	<u>\$ 1,133,640</u>
<u>Other Local Revenues</u>		
<u>Recurring Items</u>		
Investment Income	\$ 3,976	\$ 68,097
Lease/Rentals	0	26,400
Sale of Materials and Supplies	0	411
Commissary Sales	0	134,303
Sale of Recycled Materials	0	164,554
Miscellaneous Refunds	0	42,007
<u>Nonrecurring Items</u>		
Sale of Equipment	0	526
Damages Recovered from Individuals	0	700
<u>Other Local Revenues</u>		
Other Local Revenues	0	1,840
Total Other Local Revenues	<u>\$ 3,976</u>	<u>\$ 438,838</u>

(Continued)

Exhibit J-5

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

	<u>Debt Service</u> <u>Fund</u>		<u>Rural</u> <u>Debt</u> <u>Service</u>	<u>Total</u>
<hr/>				
<u>Fees Received From County Officials</u>				
<u>Excess Fees</u>				
Circuit Court Clerk	\$	0	\$	169,000
Trustee			0	116,535
<u>Fees In-Lieu-of Salary</u>				
Clerk and Master			0	85,177
Register			0	101,795
Sheriff			0	38,586
Total Fees Received From County Officials	<u>\$</u>	<u>0</u>	<u>\$</u>	<u>511,093</u>
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
Juvenile Services Program	\$	0	\$	9,500
<u>Public Works Grants</u>				
State Aid Program			0	314,916
Litter Program			0	44,690
<u>Other State Revenues</u>				
Income Tax			0	31,131
Beer Tax			0	17,839
Vehicle Certificate of Title Fees			0	10,657
Alcoholic Beverage Tax			0	71,475
State Revenue Sharing - Telecommunications			0	33,255
Contracted Prisoner Boarding			0	1,294,381
Gasoline and Motor Fuel Tax			0	2,270,390
Petroleum Special Tax			0	19,994
Registrar's Salary Supplement			0	15,164
Other State Grants			0	38,000

(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	<u>Total</u>
<u>State of Tennessee (Cont.)</u>		
<u>Other State Revenues (Cont.)</u>		
Other State Revenues	\$ 0	\$ 49,580
Total State of Tennessee	<u>\$ 0</u>	<u>\$ 4,220,972</u>
<u>Federal Government</u>		
<u>Federal Through State</u>		
Civil Defense Reimbursement	\$ 0	\$ 30,000
Other Federal through State	0	124,493
Total Federal Government	<u>\$ 0</u>	<u>\$ 154,493</u>
<u>Other Governments and Citizens Groups</u>		
<u>Other Governments</u>		
Contributions	\$ 402,310	\$ 652,386
Contracted Services	0	143,000
<u>Other</u>		
Other	0	267,645
Total Other Governments and Citizens Groups	<u>\$ 402,310</u>	<u>\$ 1,063,031</u>
Total	<u>\$ 406,286</u>	<u>\$ 16,238,775</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, 2018

	General Purpose School	Special Revenue Funds			Total
		School Federal Projects	Central Cafeteria	School Transportation	
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 2,226,044	\$ 0	\$ 0	\$ 972,157	\$ 3,198,201
Trustee's Collections - Prior Year	61,730	0	0	29,730	91,460
Circuit Clerk/Clerk and Master Collections - Prior Years	16,764	0	0	7,468	24,232
Interest and Penalty	13,852	0	0	6,650	20,502
Payments in-Lieu-of Taxes - T.V.A.	1,944	0	0	689	2,633
Payments in-Lieu-of Taxes - Local Utilities	36,027	0	0	15,737	51,764
<u>County Local Option Taxes</u>					
Local Option Sales Tax	3,529,922	0	0	0	3,529,922
Mixed Drink Tax	144	0	0	0	144
<u>Statutory Local Taxes</u>					
Bank Excise Tax	36,073	0	0	15,760	51,833
Total Local Taxes	\$ 5,922,500	\$ 0	\$ 0	\$ 1,048,191	\$ 6,970,691
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 1,686	\$ 0	\$ 0	\$ 0	\$ 1,686
<u>Permits</u>					
Other Permits	217	0	0	0	217
Total Licenses and Permits	\$ 1,903	\$ 0	\$ 0	\$ 0	\$ 1,903
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Tuition - Regular Day Students	\$ 13,600	\$ 0	\$ 0	\$ 0	\$ 13,600
Contract for Instructional Services with Other LEA's	259,200	0	0	0	259,200

(Continued)

Exhibit J-6

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

	General Purpose School	Special Revenue Funds			Total
		School Federal Projects	Central Cafeteria	School Transpor- tation	
<u>Charges for Current Services (Cont.)</u>					
<u>Education Charges (Cont.)</u>					
Receipts from Individual Schools	\$ 0	\$ 0	\$ 506,408	\$ 0	\$ 506,408
Total Charges for Current Services	\$ 272,800	\$ 0	\$ 506,408	\$ 0	\$ 779,208
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 4,893	\$ 0	\$ 4,893
Lease/Rentals	4,489	0	0	0	4,489
Miscellaneous Refunds	80,636	0	100	433	81,169
<u>Nonrecurring Items</u>					
Contributions and Gifts	7,471	0	0	0	7,471
<u>Other Local Revenues</u>					
Other Local Revenues	3,021	0	0	0	3,021
Total Other Local Revenues	\$ 95,617	\$ 0	\$ 4,993	\$ 433	\$ 101,043
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-behalf Contributions for OPEB	\$ 71,028	\$ 0	\$ 0	\$ 0	\$ 71,028
<u>State Education Funds</u>					
Basic Education Program	22,097,185	0	0	0	22,097,185
Early Childhood Education	521,804	0	0	0	521,804
School Food Service	20,014	0	0	0	20,014
Driver Education	18,028	0	0	0	18,028
Other State Education Funds	81,685	0	0	0	81,685
Coordinated School Health	71,963	0	0	0	71,963
Career Ladder Program	93,056	0	0	0	93,056

(Continued)

Exhibit J-6

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

	General Purpose School	Special Revenue Funds			Total
		School Federal Projects	Central Cafeteria	School Transpor - tation	
<u>State of Tennessee (Cont.)</u>					
<u>Other State Revenues</u>					
State Revenue Sharing - T.V.A.	\$ 843,627	\$ 0	\$ 0	\$ 0	\$ 843,627
Other State Grants	40,706	0	0	0	40,706
Safe Schools	22,280	0	0	0	22,280
Total State of Tennessee	\$ 23,881,376	\$ 0	\$ 0	\$ 0	\$ 23,881,376
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,042,362	\$ 0	\$ 1,042,362
USDA - Commodities	0	0	189,700	0	189,700
Breakfast	0	0	462,907	0	462,907
USDA - Other	0	0	41,274	0	41,274
Adult Education State Grant Program	730,372	0	0	0	730,372
Vocational Education - Basic Grants to States	0	121,871	0	0	121,871
Title I Grants to Local Education Agencies	0	776,596	0	0	776,596
Special Education - Grants to States	24,284	830,408	0	0	854,692
Special Education Preschool Grants	0	24,090	0	0	24,090
Rural Education	0	43,444	0	0	43,444
Eisenhower Professional Development State Grants	0	98,973	0	0	98,973
Other Federal through State	0	169,302	0	0	169,302
<u>Direct Federal Revenue</u>					
ROTC Reimbursement	53,405	0	0	0	53,405
Total Federal Government	\$ 808,061	\$ 2,064,684	\$ 1,736,243	\$ 0	\$ 4,608,988

(Continued)

Exhibit J-6

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

	General Purpose School	Special Revenue Funds			Total
		School Federal Projects	Central Cafeteria	School Transpor - tation	
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 7,500	\$ 0	\$ 0	\$ 0	\$ 7,500
Total Other Governments and Citizens Groups	\$ 7,500	\$ 0	\$ 0	\$ 0	\$ 7,500
Total	\$ 30,989,757	\$ 2,064,684	\$ 2,247,644	\$ 1,048,624	\$ 36,350,709

Exhibit J-7

Henderson County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2018

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	84,000	
Social Security		5,105	
Medical Insurance		3,768	
Employer Medicare		1,194	
Audit Services		10,275	
Total County Commission			\$ 104,342

Board of Equalization

Board and Committee Members Fees	\$	1,550	
Total Board of Equalization			1,550

County Mayor/Executive

County Official/Administrative Officer	\$	83,946	
Secretary(ies)		23,136	
Social Security		6,133	
Pensions		6,544	
Medical Insurance		12,133	
Unemployment Compensation		84	
Employer Medicare		1,434	
Dues and Memberships		2,180	
Postal Charges		533	
Travel		2,853	
Office Supplies		1,198	
Other Charges		634	
Furniture and Fixtures		548	
Total County Mayor/Executive			141,356

County Attorney

Social Security	\$	176	
Medical Insurance		1,164	
Unemployment Compensation		99	
Employer Medicare		41	
Legal Services		8,000	
Total County Attorney			9,480

Election Commission

County Official/Administrative Officer	\$	65,414	
Clerical Personnel		21,202	
Part-time Personnel		6,543	
Election Commission		3,350	
Election Workers		8,432	
In-service Training		6,610	
Social Security		5,262	
Pensions		6,094	
Medical Insurance		4,044	
Unemployment Compensation		158	
Employer Medicare		1,231	

(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.)

Communication	\$	6,818	
Data Processing Services		3,045	
Legal Notices, Recording, and Court Costs		1,443	
Maintenance Agreements		14	
Maintenance and Repair Services - Office Equipment		70	
Postal Charges		2,391	
Printing, Stationery, and Forms		1,749	
Other Contracted Services		13,577	
Office Supplies		2,362	
Other Supplies and Materials		726	
Total Election Commission	\$		160,535

Register of Deeds

County Official/Administrative Officer	\$	74,182	
Secretary(ies)		37,597	
Part-time Personnel		124	
Social Security		6,938	
Pensions		7,217	
Unemployment Compensation		85	
Employer Medicare		1,623	
Communication		409	
Data Processing Services		364	
Dues and Memberships		903	
Office Supplies		1,542	
Total Register of Deeds			130,984

County Buildings

Supervisor/Director	\$	18,207	
Custodial Personnel		93,171	
Social Security		6,456	
Pensions		3,463	
Medical Insurance		10,734	
Unemployment Compensation		305	
Employer Medicare		1,510	
Communication		56,699	
Contributions		7,500	
Licenses		400	
Maintenance Agreements		49,957	
Maintenance and Repair Services - Buildings		205,401	
Maintenance and Repair Services - Equipment		2,711	
Maintenance and Repair Services - Vehicles		1,691	
Pest Control		8,580	
Postal Charges		10,013	
Custodial Supplies		128	
Gasoline		2,153	
Utilities		328,681	
Other Charges		4,409	

(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.)

Building Improvements	\$	29,386	
Other Equipment		8,400	
Total County Buildings			\$ 849,955

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	72,681	
Accountants/Bookkeepers		187,012	
Social Security		14,610	
Pensions		8,067	
Medical Insurance		17,099	
Unemployment Compensation		621	
Employer Medicare		3,417	
Data Processing Services		12,863	
Postal Charges		292	
Printing, Stationery, and Forms		1,827	
Travel		966	
Office Supplies		2,171	
Other Supplies and Materials		50	
Premiums on Corporate Surety Bonds		350	
Other Charges		1,239	
Total Accounting and Budgeting			323,265

Property Assessor's Office

County Official/Administrative Officer	\$	72,682	
Clerical Personnel		105,702	
Social Security		10,066	
Pensions		9,402	
Medical Insurance		15,081	
Unemployment Compensation		336	
Employer Medicare		2,354	
Communication		339	
Contracts with Private Agencies		11,521	
Data Processing Services		12,638	
Dues and Memberships		1,700	
Maintenance and Repair Services - Vehicles		732	
Postal Charges		13	
Travel		103	
Other Contracted Services		12,640	
Gasoline		893	
Office Supplies		855	
Total Property Assessor's Office			257,057

County Trustee's Office

Communication	\$	512	
Data Processing Services		13,719	
Dues and Memberships		578	

(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 (Cont.)

Legal Notices, Recording, and Court Costs	\$	49	
Postal Charges		5,194	
Printing, Stationery, and Forms		155	
Other Contracted Services		3,104	
Office Supplies		2,027	
Office Equipment		1,738	
Total County Trustee's Office			\$ 27,076

County Clerk's Office

Communication	\$	1,089	
Data Processing Services		19,953	
Dues and Memberships		673	
Legal Notices, Recording, and Court Costs		198	
Maintenance Agreements		138	
Postal Charges		7,375	
Office Supplies		4,547	
Total County Clerk's Office			33,973

Administration of Justice

Circuit Court

Other Salaries and Wages	\$	300	
Jury and Witness Expense		9,080	
Social Security		18	
Pensions		9	
Employer Medicare		4	
Communication		1,005	
Dues and Memberships		673	
Legal Notices, Recording, and Court Costs		169	
Maintenance Agreements		524	
Office Supplies		9,562	
Total Circuit Court			21,344

General Sessions Court

Judge(s)	\$	124,232	
Secretary(ies)		41,717	
Social Security		9,554	
Pensions		11,708	
Medical Insurance		8,088	
Unemployment Compensation		84	
Employer Medicare		2,235	
Contracts with Private Agencies		45,980	
Other Contracted Services		17,575	
Office Supplies		56	
Total General Sessions Court			261,229

Drug Court

Drugs and Medical Supplies	\$	5,175	
Total Drug Court			5,175

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court

County Official/Administrative Officer	\$	81,450	
Clerical Personnel		69,440	
Social Security		9,084	
Pensions		8,872	
Medical Insurance		4,752	
Unemployment Compensation		168	
Employer Medicare		2,124	
Communication		391	
Data Processing Services		8,280	
Dues and Memberships		673	
Legal Notices, Recording, and Court Costs		8,860	
Maintenance Agreements		55	
Maintenance and Repair Services - Office Equipment		637	
Office Supplies		6,485	
Office Equipment		1,622	
Total Chancery Court			\$ 202,893

Juvenile Court

Guidance Personnel	\$	42,643	
In-service Training		777	
Social Security		2,174	
Pensions		1,339	
Medical Insurance		4,044	
Unemployment Compensation		84	
Employer Medicare		508	
Communication		95	
Contracts with Other Public Agencies		16,707	
Travel		912	
Office Supplies		636	
Total Juvenile Court			69,919

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	79,950	
Deputy(ies)		1,240,400	
Salary Supplements		13,200	
Clerical Personnel		65,324	
Overtime Pay		15,336	
In-service Training		11,853	
Social Security		83,768	
Pensions		47,528	
Medical Insurance		101,711	
Unemployment Compensation		3,431	
Employer Medicare		19,591	
Communication		50,733	
Dues and Memberships		2,440	
Evaluation and Testing		2,402	

(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.)

Maintenance Agreements	\$	13,641	
Maintenance and Repair Services - Equipment		28,341	
Maintenance and Repair Services - Vehicles		36,071	
Postal Charges		5,293	
Other Contracted Services		16,948	
Gasoline		78,029	
Office Supplies		6,215	
Tires and Tubes		7,512	
Uniforms		14,407	
Other Charges		6,168	
Motor Vehicles		121,083	
Office Equipment		1,682	
Other Equipment		7,388	
Total Sheriff's Department			\$ 2,080,445

Administration of the Sexual Offender Registry

In-service Training	\$	358	
Other Charges		3,610	
Total Administration of the Sexual Offender Registry			3,968

Workhouse

Guards	\$	1,015,341	
Clerical Personnel		36,700	
Custodial Personnel		45,756	
Overtime Pay		18,103	
Other Salaries and Wages		48,143	
In-service Training		1,456	
Social Security		69,120	
Pensions		36,551	
Medical Insurance		82,957	
Unemployment Compensation		3,552	
Employer Medicare		16,165	
Contracts with Government Agencies		50	
Evaluation and Testing		925	
Maintenance and Repair Services - Equipment		1,280	
Medical and Dental Services		306,434	
Custodial Supplies		26,590	
Drugs and Medical Supplies		450	
Food Supplies		266,453	
Office Supplies		3,520	
Uniforms		5,868	
Other Charges		543	
Total Workhouse			1,985,957

Fire Prevention and Control

County Official/Administrative Officer	\$	60,539	
Assistant(s)		33,232	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

Part-time Personnel	\$	13,943	
In-service Training		4,010	
Social Security		6,301	
Pensions		2,963	
Medical Insurance		8,088	
Unemployment Compensation		327	
Employer Medicare		1,474	
Communication		2,272	
Dues and Memberships		100	
Maintenance and Repair Services - Buildings		660	
Maintenance and Repair Services - Equipment		14,333	
Maintenance and Repair Services - Vehicles		21,391	
Postal Charges		334	
Drugs and Medical Supplies		112	
Gasoline		10,371	
Instructional Supplies and Materials		1,328	
Office Supplies		1,080	
Uniforms		833	
Other Supplies and Materials		805	
Trustee's Commission		588	
Other Equipment		44,415	
Total Fire Prevention and Control			\$ 229,499

Civil Defense

Other Salaries and Wages	\$	88,744	
In-service Training		662	
Social Security		5,218	
Pensions		2,555	
Medical Insurance		5,637	
Unemployment Compensation		287	
Employer Medicare		1,220	
Communication		8,950	
Contracts with Private Agencies		9,999	
Maintenance Agreements		495	
Maintenance and Repair Services - Buildings		418	
Maintenance and Repair Services - Vehicles		430	
Travel		1,869	
Other Contracted Services		40	
Gasoline		2,797	
Office Supplies		1,267	
Office Equipment		20,231	
Total Civil Defense			150,819

Rescue Squad

Contributions	\$	25,000	
Total Rescue Squad			25,000

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

County Coroner/Medical Examiner

Other Per Diem and Fees	\$ 49,400	
Total County Coroner/Medical Examiner		\$ 49,400

Other Public Safety

County Official/Administrative Officer	\$ 45,257	
Dispatchers/Radio Operators	304,459	
Clerical Personnel	39,544	
Part-time Personnel	64,577	
Overtime Pay	238	
In-service Training	1,608	
Social Security	27,563	
Pensions	12,415	
Medical Insurance	83,373	
Unemployment Compensation	1,426	
Employer Medicare	6,446	
Maintenance and Repair Services - Equipment	2,880	
Total Other Public Safety		589,786

Public Health and Welfare

Local Health Center

Custodial Personnel	\$ 5,400	
Other Salaries and Wages	4,290	
Social Security	258	
Pensions	91	
Medical Insurance	354	
Unemployment Compensation	54	
Employer Medicare	60	
Communication	6,104	
Maintenance and Repair Services - Buildings	8,350	
Maintenance and Repair Services - Equipment	225	
Postal Charges	307	
Travel	345	
Custodial Supplies	743	
Drugs and Medical Supplies	1,389	
Office Supplies	1,784	
Other Charges	50,079	
Total Local Health Center		79,833

Other Local Health Services

Contributions	\$ 5,000	
Total Other Local Health Services		5,000

Appropriation to State

Contracts with Government Agencies	\$ 11,420	
Total Appropriation to State		11,420

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Waste Pickup

Supervisor/Director	\$	20,255	
Part-time Personnel		6,108	
Social Security		1,577	
Pensions		822	
Medical Insurance		665	
Unemployment Compensation		48	
Employer Medicare		369	
Maintenance and Repair Services - Vehicles		1,320	
Gasoline		2,979	
Instructional Supplies and Materials		8,515	
Other Supplies and Materials		3,421	
Other Charges		1,095	
Total Waste Pickup			\$ 47,174

Social, Cultural, and Recreational Services

Adult Activities

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

Senior Citizens Assistance

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

Libraries

Contributions	\$	37,148	
Total Libraries			37,148

Other Social, Cultural, and Recreational

Contributions	\$	15,700	
Total Other Social, Cultural, and Recreational			15,700

Agriculture and Natural Resources

Agricultural Extension Service

Assistant(s)	\$	16,227	
Supervisor/Director		15,272	
Secretary(ies)		5,253	
Other Salaries and Wages		380	
Social Security		1,892	
Pensions		5,526	
Medical Insurance		2,074	
Unemployment Compensation		8	
Employer Medicare		318	
Communication		5,908	
Maintenance Agreements		355	
Office Supplies		194	
Workers' Compensation Insurance		16	
Total Agricultural Extension Service			53,423

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Soil Conservation

Secretary(ies)	\$	15,756	
Social Security		977	
Unemployment Compensation		94	
Employer Medicare		228	
Total Soil Conservation			\$ 17,055

Flood Control

Other Contracted Services	\$	19,299	
Total Flood Control			19,299

Other Operations

Tourism

Communication	\$	2,144	
Contributions		12,500	
Other Charges		10,137	
Total Tourism			24,781

Industrial Development

Communication	\$	2,144	
Contributions		10,750	
Other Charges		136,297	
Total Industrial Development			149,191

Veterans' Services

Supervisor/Director	\$	44,648	
Secretary(ies)		12,570	
Social Security		3,312	
Pensions		1,355	
Medical Insurance		4,516	
Unemployment Compensation		184	
Employer Medicare		774	
Communication		102	
Dues and Memberships		100	
Travel		123	
Office Supplies		614	
Other Charges		1,297	
Total Veterans' Services			69,595

Other Charges

Building and Contents Insurance	\$	85,522	
Liability Insurance		147,057	
Vehicle and Equipment Insurance		96,068	
Workers' Compensation Insurance		95,980	
Total Other Charges			424,627

Employee Benefits

Medical Insurance	\$	18,242	
Total Employee Benefits			18,242

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous

Dues and Memberships	\$	7,391	
Trustee's Commission		108,347	
Other Charges		58	
Airport Improvement		48,938	
Total Miscellaneous			\$ 164,734

Principal on Debt

General Government

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

Interest on Debt

General Government

Interest on Notes	\$	2,100	
Total General Government			2,100

Total General Fund \$ 8,944,636

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Education/Information

Supervisor/Director	\$	82,759	
Part-time Personnel		166,749	
Overtime Pay		4,239	
Other Salaries and Wages		116	
Social Security		15,378	
Pensions		3,495	
Medical Insurance		8,465	
Unemployment Compensation		1,405	
Employer Medicare		3,596	
Communication		5,642	
Contracts with Private Agencies		279,153	
Dues and Memberships		100	
Maintenance Agreements		472	
Maintenance and Repair Services - Buildings		3,061	
Maintenance and Repair Services - Equipment		27,863	
Maintenance and Repair Services - Vehicles		3,681	
Pest Control		1,600	
Travel		1,103	
Custodial Supplies		3,794	
Gasoline		9,581	
Office Supplies		1,309	
Tires and Tubes		4,021	
Utilities		12,370	
Other Supplies and Materials		503	
Trustee's Commission		10,329	
Landfill Closure/Postclosure Care Costs		3,860	

(Continued)

Exhibit J-7

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

<u>Solid Waste/Sanitation Fund (Cont.)</u>			
<u>Public Health and Welfare (Cont.)</u>			
<u>Sanitation Education/Information (Cont.)</u>			
Other Charges	\$	5,827	
Other Equipment		<u>2,623</u>	
Total Sanitation Education/Information			<u>\$ 663,094</u>
Total Solid Waste/Sanitation Fund			\$ 663,094
 <u>Drug Control Fund</u>			
<u>Public Safety</u>			
<u>Drug Enforcement</u>			
Confidential Drug Enforcement Payments	\$	6,000	
Maintenance and Repair Services - Vehicles		1,897	
Towing Services		2,715	
Trustee's Commission		122	
Other Charges		18,314	
Motor Vehicles		<u>59,498</u>	
Total Drug Enforcement			<u>\$ 88,546</u>
Total Drug Control Fund			88,546
 <u>Constitutional Officers - Fees Fund</u>			
<u>Finance</u>			
<u>County Trustee's Office</u>			
Constitutional Officers' Operating Expenses	\$	<u>260,236</u>	
Total County Trustee's Office			\$ 260,236
 <u>County Clerk's Office</u>			
Constitutional Officers' Operating Expenses	\$	<u>303,228</u>	
Total County Clerk's Office			303,228
 <u>Administration of Justice</u>			
<u>Circuit Court Clerk</u>			
Constitutional Officers' Operating Expenses	\$	<u>422,549</u>	
Total Circuit Court Clerk			422,549
 <u>Chancery Court</u>			
Constitutional Officers' Operating Expenses	\$	<u>10,359</u>	
Total Chancery Court			<u>10,359</u>
Total Constitutional Officers - Fees Fund			996,372
 <u>Highway/Public Works Fund</u>			
<u>Highways</u>			
<u>Administration</u>			
County Official/Administrative Officer	\$	79,950	
Secretary(ies)		59,821	
Overtime Pay		582	
Social Security		9,804	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Pensions	\$	8,541	
Medical Insurance		27,611	
Unemployment Compensation		420	
Employer Medicare		873	
Dues and Memberships		2,808	
Maintenance and Repair Services - Office Equipment		113	
Travel		282	
Office Supplies		1,181	
Other Charges		1,241	
Total Administration			\$ 193,227

Highway and Bridge Maintenance

Equipment Operators	\$	214,958	
Truck Drivers		244,759	
Laborers		128,898	
Overtime Pay		14,429	
Social Security		37,042	
Pensions		18,746	
Medical Insurance		87,967	
Unemployment Compensation		5,616	
Employer Medicare		8,663	
Evaluation and Testing		1,275	
Other Contracted Services		66,660	
Asphalt - Cold Mix		1,238	
Asphalt - Liquid		517,168	
Crushed Stone		238,776	
Pipe		54,030	
Wood Products		32,870	
Other Supplies and Materials		5,029	
Total Highway and Bridge Maintenance			1,678,124

Operation and Maintenance of Equipment

Foremen	\$	3,162	
Mechanic(s)		35,755	
Overtime Pay		1,719	
Social Security		2,501	
Pensions		113	
Medical Insurance		6,015	
Unemployment Compensation		236	
Employer Medicare		585	
Maintenance and Repair Services - Equipment		6,990	
Diesel Fuel		96,465	
Equipment and Machinery Parts		179,489	
Gasoline		23,648	
Lubricants		8,187	
Tires and Tubes		34,181	
Other Supplies and Materials		2,585	
Total Operation and Maintenance of Equipment			401,631

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges

Communication	\$	8,263	
Maintenance and Repair Services - Buildings		11,847	
Custodial Supplies		5,145	
Utilities		10,311	
Liability Insurance		40,194	
Trustee's Commission		27,494	
Workers' Compensation Insurance		52,000	
Total Other Charges			\$ 155,254

Employee Benefits

Employee and Dependent Insurance	\$	18,541	
Total Employee Benefits			18,541

Capital Outlay

Highway Equipment	\$	616,863	
Motor Vehicles		7,500	
State Aid Projects		581,934	
Total Capital Outlay			1,206,297

Principal on Debt

Highways and Streets

Principal on Capital Leases	\$	79,866	
Total Highways and Streets			79,866

Interest on Debt

Highways and Streets

Interest on Capital Leases	\$	3,800	
Total Highways and Streets			3,800

Other Debt Service

Highways and Streets

Other Debt Service	\$	1,360	
Total Highways and Streets			1,360

Total Highway/Public Works Fund \$ 3,738,100

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	1,326,750	
Total General Government			\$ 1,326,750

Education

Principal on Bonds	\$	328,250	
Principal on Other Loans		84,876	
Total Education			413,126

(Continued)

Exhibit J-7

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

General Debt Service Fund (Cont.)

Interest on Debt

General Government

Interest on Bonds	\$ 473,255	
Total General Government		\$ 473,255

Education

Interest on Bonds	\$ 82,357	
Interest on Other Loans	18,144	
Total Education		100,501

Other Debt Service

General Government

Fiscal Agent Charges	\$ 1,819	
Trustee's Commission	28,515	
Total General Government		30,334

Education

Fiscal Agent Charges	\$ 2,393	
Total Education		2,393

Total General Debt Service Fund		\$ 2,346,359
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Rural Debt Service Fund

Principal on Debt

Education

Principal on Bonds	\$ 290,000	
Total Education		\$ 290,000

Interest on Debt

Education

Interest on Bonds	\$ 112,310	
Total Education		112,310

Other Debt Service

Education

Fiscal Agent Charges	\$ 1,902	
Trustee's Commission	40	
Total Education		1,942

Total Rural Debt Service Fund		<u>404,252</u>
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Total Governmental Funds - Primary Government		<u>\$ 17,181,359</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, 2018

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 9,868,773	
Career Ladder Program	58,000	
Career Ladder Extended Contracts	24,000	
Homebound Teachers	19,930	
Clerical Personnel	416,782	
Educational Assistants	219,181	
Other Salaries and Wages	480,325	
Non-certified Substitute Teachers	200,631	
Social Security	645,624	
Pensions	930,344	
Medical Insurance	1,327,189	
Employer Medicare	152,406	
Tuition	51,287	
Other Contracted Services	75,386	
Instructional Supplies and Materials	216,069	
Textbooks - Bound	66,591	
Other Charges	75,062	
Total Regular Instruction Program		\$ 14,827,580

Alternative Instruction Program

Educational Assistants	\$ 30,996	
Social Security	1,922	
Pensions	542	
Employer Medicare	449	
Instructional Supplies and Materials	475	
Other Equipment	3,500	
Total Alternative Instruction Program		37,884

Special Education Program

Teachers	\$ 1,379,780	
Career Ladder Program	11,000	
Homebound Teachers	791	
Educational Assistants	279,208	
Speech Pathologist	156,155	
Other Salaries and Wages	23,970	
Non-certified Substitute Teachers	56,366	
Social Security	105,030	
Pensions	143,814	
Medical Insurance	204,317	
Employer Medicare	25,064	
Contracts with Private Agencies	47,484	
Maintenance and Repair Services - Equipment	1,019	
Instructional Supplies and Materials	7,746	
Special Education Equipment	17,530	
Total Special Education Program		2,459,274

(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.)

Career and Technical Education Program

Teachers	\$	781,991	
Career Ladder Program		8,000	
Career Ladder Extended Contracts		1,895	
Non-certified Substitute Teachers		13,545	
Social Security		44,887	
Pensions		69,294	
Medical Insurance		112,252	
Employer Medicare		10,498	
Instructional Supplies and Materials		39,806	
Other Supplies and Materials		24,998	
Vocational Instruction Equipment		32,781	
Total Career and Technical Education Program			\$ 1,139,947

Adult Education Program

Teachers	\$	310,405	
Other Salaries and Wages		294,764	
Social Security		33,150	
Pensions		25,783	
Medical Insurance		36,000	
Employer Medicare		8,450	
Contracts with Private Agencies		18,149	
Travel		2,736	
Instructional Supplies and Materials		6,547	
Other Supplies and Materials		16,987	
Total Adult Education Program			752,971

Support Services

Attendance

Supervisor/Director	\$	65,486	
Career Ladder Program		1,000	
Social Security		3,840	
Pensions		6,037	
Medical Insurance		8,353	
Employer Medicare		898	
Attendance Equipment		960	
Total Attendance			86,574

Health Services

Career Ladder Program	\$	1,000	
Medical Personnel		338,096	
Social Security		19,284	
Pensions		15,079	
Medical Insurance		41,302	
Employer Medicare		4,510	
Travel		3,391	
Instructional Supplies and Materials		2,551	

(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.)

Other Supplies and Materials	\$	7,894	
In Service/Staff Development		3,000	
Other Charges		1,000	
Total Health Services			\$ 437,107

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		589,380	
School Resource Officer		120,000	
Other Salaries and Wages		14,416	
Social Security		35,207	
Pensions		53,967	
Medical Insurance		57,833	
Employer Medicare		8,234	
Evaluation and Testing		15,130	
Travel		4,328	
Other Contracted Services		162	
Other Supplies and Materials		61	
Other Charges		2,927	
Total Other Student Support			902,645

Regular Instruction Program

Supervisor/Director	\$	251,861	
Teachers		30,000	
Career Ladder Program		7,000	
Librarians		452,655	
Social Security		42,859	
Pensions		66,947	
Medical Insurance		87,804	
Employer Medicare		10,007	
Travel		20,531	
Other Contracted Services		25,220	
Library Books/Media		37,000	
Other Supplies and Materials		7	
In Service/Staff Development		24,999	
Other Charges		2,218	
Total Regular Instruction Program			1,059,108

Alternative Instruction Program

Supervisor/Director	\$	57,740	
Social Security		3,454	
Pensions		5,243	
Medical Insurance		3,781	
Employer Medicare		808	
Other Charges		250	
Total Alternative Instruction Program			71,276

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program

Supervisor/Director	\$	74,126	
Career Ladder Program		2,000	
Psychological Personnel		55,809	
Assessment Personnel		54,328	
Other Salaries and Wages		54,189	
Social Security		14,286	
Pensions		21,833	
Medical Insurance		16,725	
Employer Medicare		3,341	
Communication		9,809	
Postal Charges		147	
Travel		11,092	
Other Supplies and Materials		6,721	
In Service/Staff Development		11,709	
Other Charges		3,634	
Total Special Education Program	\$		339,749

Career and Technical Education Program

Supervisor/Director	\$	74,458	
Career Ladder Program		2,000	
Social Security		4,515	
Pensions		6,942	
Medical Insurance		4,646	
Employer Medicare		1,056	
Travel		3,624	
Other Supplies and Materials		599	
Other Charges		1,879	
Total Career and Technical Education Program			99,719

Technology

Career Ladder Program	\$	1,000	
Instructional Computer Personnel		74,726	
Other Salaries and Wages		165,856	
Social Security		13,531	
Pensions		15,954	
Medical Insurance		33,528	
Employer Medicare		3,165	
Communication		7,943	
Data Processing Services		34,918	
Internet Connectivity		64,872	
Travel		7,259	
Instructional Supplies and Materials		286,920	
In Service/Staff Development		4,180	
Other Charges		65,100	
Regular Instruction Equipment		349,955	
Other Equipment		55,000	
Total Technology			1,183,907

(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.)

Adult Programs

Supervisor/Director	\$	70,000	
Social Security		4,128	
Pensions		6,356	
Medical Insurance		4,646	
Employer Medicare		965	
Travel		12,132	
Other Contracted Services		9,821	
In Service/Staff Development		13,605	
Total Adult Programs			\$ 121,653

Other Programs

On-behalf Payments to OPEB	\$	71,028	
Total Other Programs			71,028

Board of Education

Board and Committee Members Fees	\$	43,700	
Social Security		2,335	
Medical Insurance		11,152	
Unemployment Compensation		1,704	
Employer Medicare		546	
Audit Services		19,000	
Dues and Memberships		14,326	
Legal Services		9,780	
Travel		275	
Other Contracted Services		6,000	
Office Supplies		35	
Trustee's Commission		130,164	
Workers' Compensation Insurance		263,355	
In Service/Staff Development		36	
Other Charges		1,796	
Total Board of Education			504,204

Director of Schools

County Official/Administrative Officer	\$	105,500	
Career Ladder Program		1,000	
Social Security		6,272	
Pensions		9,670	
Medical Insurance		9,056	
Employer Medicare		1,467	
Communication		32,620	
Postal Charges		3,107	
Travel		4,227	
Office Supplies		5,430	
Other Charges		319	
Total Director of Schools			178,668

(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

Principals	\$	639,532	
Career Ladder Program		5,000	
Assistant Principals		232,448	
Social Security		51,707	
Pensions		79,630	
Medical Insurance		69,847	
Employer Medicare		12,093	
In Service/Staff Development		440	
Other Charges		1,880	
Total Office of the Principal	\$		1,092,577

Fiscal Services

Internal Audit Personnel	\$	20,865	
Clerical Personnel		50,958	
Social Security		4,060	
Pensions		2,690	
Medical Insurance		9,056	
Employer Medicare		950	
Maintenance and Repair Services - Equipment		20,873	
Office Supplies		182	
Total Fiscal Services			109,634

Operation of Plant

Custodial Personnel	\$	555,729	
Social Security		32,275	
Pensions		10,582	
Medical Insurance		27,328	
Employer Medicare		7,726	
Janitorial Services		104,000	
Disposal Fees		21,978	
Other Contracted Services		20,522	
Custodial Supplies		107,000	
Utilities		878,367	
Building and Contents Insurance		283,766	
Other Charges		280	
Total Operation of Plant			2,049,553

Maintenance of Plant

Supervisor/Director	\$	43,280	
Maintenance Personnel		133,808	
Social Security		9,947	
Pensions		5,560	
Medical Insurance		23,217	
Employer Medicare		2,326	
Maintenance and Repair Services - Buildings		190,119	
Maintenance and Repair Services - Equipment		20,644	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Maintenance and Repair Services - Vehicles	\$	7,483	
Pest Control		2,750	
Travel		75	
Other Contracted Services		23,264	
Gasoline		12,234	
Other Supplies and Materials		3,632	
Other Charges		3,792	
Maintenance Equipment		<u>7,372</u>	
Total Maintenance of Plant			\$ 489,503

Transportation

Bus Drivers	\$	40,244	
Social Security		2,495	
Employer Medicare		584	
Contracts with Vehicle Owners		324	
Maintenance and Repair Services - Vehicles		24,228	
Diesel Fuel		8,707	
Gasoline		82	
Transportation Equipment		<u>165,137</u>	
Total Transportation			241,801

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	35,868	
Clerical Personnel		26,000	
In-service Training		1,027	
Social Security		2,224	
Pensions		1,126	
Employer Medicare		520	
Dues and Memberships		1,145	
Travel		1,556	
Food Service Equipment		<u>10,101</u>	
Total Food Service			79,567

Community Services

Supervisor/Director	\$	15,082	
Teachers		25,441	
Educational Assistants		9,116	
Social Security		3,078	
Pensions		3,379	
Employer Medicare		720	
Other Contracted Services		2,170	
Instructional Supplies and Materials		1,319	
In Service/Staff Development		168	
Other Charges		<u>738</u>	
Total Community Services			61,211

(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

Teachers	\$	249,724	
Educational Assistants		84,358	
Social Security		19,278	
Pensions		24,562	
Medical Insurance		36,551	
Employer Medicare		4,509	
Communication		11,000	
Travel		17,186	
Food Supplies		5,631	
Instructional Supplies and Materials		15,698	
Other Supplies and Materials		26,629	
In Service/Staff Development		2,997	
Administration Equipment		180	
Other Equipment		23,502	
Total Early Childhood Education			\$ 521,805

Capital Outlay

Regular Capital Outlay

Architects	\$	30,000	
Site Development		669,343	
Other Capital Outlay		750	
Total Regular Capital Outlay			700,093

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	506,386	
Total Education			506,386

Total General Purpose School Fund \$ 30,125,424

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	53,652	
Educational Assistants		350,976	
Other Salaries and Wages		110,489	
Social Security		30,158	
Pensions		22,727	
Medical Insurance		44,171	
Employer Medicare		7,053	
Instructional Supplies and Materials		32,701	
Total Regular Instruction Program			\$ 651,927

Special Education Program

Teachers	\$	44,454
Educational Assistants		424,436

(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.)

Special Education Program (Cont.)

Social Security	\$	26,901	
Pensions		17,256	
Medical Insurance		55,482	
Employer Medicare		6,291	
Instructional Supplies and Materials		250	
Other Supplies and Materials		5,315	
Special Education Equipment		4,472	
Total Special Education Program			\$ 584,857

Career and Technical Education Program

Instructional Supplies and Materials	\$	5,000	
Other Supplies and Materials		7,053	
Other Charges		2,000	
Vocational Instruction Equipment		97,294	
Total Career and Technical Education Program			111,347

Support Services

Other Student Support

Other Salaries and Wages	\$	2,018	
Social Security		6	
Employer Medicare		1	
Communication		252	
Evaluation and Testing		21,694	
Travel		19,803	
Other Contracted Services		21,352	
Other Supplies and Materials		64,672	
In Service/Staff Development		3,313	
Other Charges		8,698	
Total Other Student Support			141,809

Regular Instruction Program

Supervisor/Director	\$	80,278	
Secretary(ies)		26,026	
Other Salaries and Wages		116,951	
Social Security		13,277	
Pensions		18,725	
Medical Insurance		9,252	
Employer Medicare		3,105	
Travel		1,564	
Other Supplies and Materials		3,892	
In Service/Staff Development		25,104	
Total Regular Instruction Program			298,174

Special Education Program

Secretary(ies)	\$	24,434	
Clerical Personnel		18,970	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Social Security	\$	2,548	
Pensions		1,363	
Medical Insurance		3,781	
Employer Medicare		596	
Travel		5,137	
Other Contracted Services		26,845	
Other Supplies and Materials		4,359	
In Service/Staff Development		3,071	
Total Special Education Program			\$ 91,104

Transportation

Bus Drivers	\$	136,756	
Social Security		8,093	
Pensions		1,341	
Medical Insurance		9,820	
Employer Medicare		1,893	
Contracts with Parents		1,341	
Diesel Fuel		18,266	
Total Transportation			177,510

Total School Federal Projects Fund \$ 2,056,728

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	776,108	
Social Security		45,234	
Pensions		21,397	
Medical Insurance		70,173	
Employer Medicare		10,579	
Communication		3,549	
Travel		561	
Food Supplies		938,015	
Uniforms		4,554	
USDA - Commodities		189,700	
Other Supplies and Materials		119,790	
Other Equipment		41,015	
Total Food Service			\$ 2,220,675

Total Central Cafeteria Fund 2,220,675

School Transportation Fund

Support Services

Board of Education

Trustee's Commission	\$	20,695	
Total Board of Education			\$ 20,695

(Continued)

Exhibit J-8

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

School Transportation Fund (Cont.)

Support Services (Cont.)

Transportation

Supervisor/Director	\$	21,950	
Bus Drivers		82,387	
Social Security		6,462	
Pensions		677	
Employer Medicare		1,511	
Contracts with Vehicle Owners		646,445	
Maintenance and Repair Services - Vehicles		35,568	
Other Contracted Services		6,805	
Diesel Fuel		154,079	
Other Charges		4,625	
Transportation Equipment		4,949	
Total Transportation			<u>\$ 965,458</u>
Total School Transportation Fund			<u>\$ 986,153</u>
Total Governmental Funds - Henderson County School Department			<u><u>\$ 35,388,980</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, 2018

	Cities - Sales Tax Fund	City School ADA - Lexington Fund	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 444,260	\$ 444,260
Trustee's Collections - Prior Year	0	13,541	13,541
Circuit/Clerk and Master Collections - Prior Years	0	3,401	3,401
Interest and Penalty	0	2,792	2,792
Payments in-Lieu-of Taxes - T.V.A.	0	315	315
Payments in-Lieu-of Taxes - Local Utilities	0	7,198	7,198
Local Option Sales Tax	3,553,678	708,956	4,262,634
Mixed Drink Tax	0	25	25
Bank Excise Tax	0	7,216	7,216
Marriage Licenses	0	323	323
Other Permits	0	29	29
Total Cash Receipts	<u>\$ 3,553,678</u>	<u>\$ 1,188,056</u>	<u>\$ 4,741,734</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 3,518,141	\$ 1,171,321	\$ 4,689,462
Trustee's Commission	35,537	16,540	52,077
Total Cash Disbursements	<u>\$ 3,553,678</u>	<u>\$ 1,187,861</u>	<u>\$ 4,741,539</u>
Excess of Cash Receipts			
Over (Under) Cash Disbursements	\$ 0	\$ 195	\$ 195
Cash Balance, July 1, 2017	0	64,640	64,640
Cash Balance, June 30, 2018	<u>\$ 0</u>	<u>\$ 64,835</u>	<u>\$ 64,835</u>

SINGLE AUDIT SECTION



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

**Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henderson County, Tennessee, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Henderson County's basic financial statements, and have issued our report thereon dated February 6, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We

did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be a significant deficiency: 2018-002.

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: 2018-001, 2018-003, 2018-004, and 2018-005.

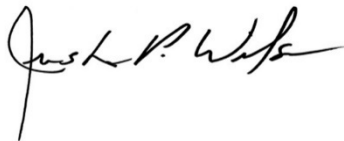
Henderson County's Responses to the Findings

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

February 6, 2019

JPW/yu



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

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

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Henderson County's compliance with the types of compliance requirements described in the *OMB 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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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, 2018.

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.

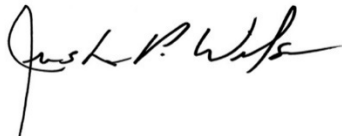
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the

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, 2018, and the related notes to the financial statements, which collectively comprise Henderson County's basic financial statements. We issued our report thereon dated February 6, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on 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.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 6, 2019

JPW/yu

Henderson County, Tennessee, and the Henderson County School Department
Schedule of Expenditures of Federal Awards and State Grants (1) (2)
For the Year Ended June 30, 2018

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: (3)			
School Breakfast Program	10.553	N/A	\$ 462,907
National School Lunch Program	10.555	N/A	1,048,674 (5)
Summer Food Service Program for Children	10.559	N/A	34,962
Passed-through State Department of Agriculture:			
Child Nutrition Cluster: (3)			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	189,700 (5)
Cooperative Forestry Assistance	10.664	(4)	3,000
Total U.S. Department of Agriculture			<u>\$ 1,739,243</u>
U.S. Department of the Interior:			
Direct Program:			
Civil War Battlefield Land Acquisition Grants	15.928	(4)	\$ 101,050
Total U.S. Department of the Interior			<u>\$ 101,050</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention	16.540	(4)	\$ 9,500
Total U.S. Department of Justice			<u>\$ 9,500</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	Z18THS140	\$ 5,000
Total U.S. Department of Transportation			<u>\$ 5,000</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	(4)	\$ 669,117
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	776,598
Special Education Cluster: (3)			
Special Education - Grants to States	84.027	N/A	853,568
Special Education - Preschool Grants	84.173	N/A	24,090
Career and Technical Education - Basic Grants to States	84.048	N/A	121,871
Twenty-first Century Community Learning Centers	84.287	N/A	20,630
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	N/A	151,600
Rural Education	84.358	N/A	40,752
Improving Teacher Quality State Grants	84.367	N/A	98,973
Passed-through State Department of Human Services:			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	(4)	40,706
Total U.S. Department of Education			<u>\$ 2,797,905</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	(4)	\$ 30,000
Total U.S. Department of Homeland Security			<u>\$ 30,000</u>
Total Expenditures of Federal Awards			<u>\$ 4,682,698</u>

(Continued)

Henderson County, Tennessee, and the Henderson County School Department
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	(4)	\$ 44,690
Coordinated School Health - State Department of Education	N/A	(4)	71,963
Read to be Ready Coaching Network Grant - State Department of Education	N/A	(4)	10,242
TNConnect - State Department of Education	N/A	(4)	10,232
Adult Education - State Department of Labor and Workforce Development	N/A	(4)	61,255
Lottery for Education: After School Programs - State Department of Education	N/A	(4)	61,211
Mosquito Control and Surveillance - State Department of Health	N/A	(4)	30,000
Safe Schools - State Department of Education	N/A	(4)	22,280
Early Childhood Education - State Department of Education	N/A	(4)	<u>521,804</u>
Total State Grants			<u>\$ 833,677</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 minimis cost rate permitted by the Uniform Guidance.
- (3) Child Nutrition Cluster total \$1,736,243; Special Education Cluster total \$877,658.
- (4) Information not available.
- (5) Total for CFDA No. 10.555 is \$1,238,374.

Henderson County, Tennessee
Summary Schedule of Prior-year Findings
For the Year Ended June 30, 2018

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 not. 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, 2018.

Prior-year Financial Statement Findings

Fiscal Year	Page Number	Finding Number	Title of Finding	CFDA Number	Current Status
<u>OFFICE OF FINANCE DIRECTOR</u>					
2017	170	2017-001	Designated Situs-Based Taxes were Inadequate to Fund Rural Fire Protection	N/A	Corrected
2017	171	2017-002	The Office had Deficiencies in Budget Operations	N/A	Not Corrected - See Explanation on Corrective Action Plan
2017	172	2017-003	A Fraud Reporting Form was not Filed in a Timely Manner	N/A	Corrected
2017	173	2017-004	An Investigation of the Former Deputy Finance Director Disclosed Unauthorized Salary Payments, Resulting in a Cash Shortage of \$14,419	N/A	Corrected
<u>OFFICE OF ASSESSOR OF PROPERTY</u>					
2017	173	2017-005	The Assessor did not Adequately Perform Visual Inspections	N/A	Corrected
<u>OFFICE OF SHERIFF</u>					
2017	174	2017-006	Duties were not Segregated Adequately	N/A	Corrected
<u>OFFICES OF FINANCE DIRECTOR AND CLERK AND MASTER</u>					
2017	174	2017-007	The Offices did not Implement Adequate Controls to Protect Their Information Resources	N/A	Corrected

Prior-year Federal Awards 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, 2018

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? **NO**
 - * Significant deficiency identified? **YES**
3. Noncompliance material to the financial statements noted? **NO**

Federal Awards:

4. Internal Control Over Major Federal Programs:
 - * Material weakness identified? **NO**
 - * Significant deficiency identified? **NO**
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 Numbers: 84.027 and 84.173 Special Education Cluster:
Special Education - Grants to States and
Special Education - Preschool Grants
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, 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. Management's corrective action plans, whether related to the financial statements or federal awards, are presented separately in the Management's Corrective Action Plan in the Single Audit 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 2018-001 **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS** (Noncompliance Under *Government Auditing Standards*)

Our examination revealed numerous deficiencies in budget operations of the office. These deficiencies exist because management failed to hold spending to the limits authorized by the county commission, which resulted in unauthorized expenditures, and management failed to provide sufficient oversight. These deficiencies also exist because management failed to correct the finding noted in the prior-year audit report and failed to implement their corrective action plan.

- A. Expenditures exceeded total appropriations approved by the county commission in the Solid Waste/Sanitation Fund by \$1,166.
- B. Expenditures exceeded appropriations approved by the county commission in one of seven major appropriation categories (the legal level of control) of the School Federal Projects Fund in the Instruction – Special Education Program major appropriation category by \$19,480.
- C. Salaries exceeded appropriations in one of 68 salary line-items in the General Fund by \$6,782, in two of four salary line-items in the Solid Waste/Sanitation Fund by \$116 and \$4,239, in one of 68 salary line-items of the General Purpose School Fund by \$30,000, in two of 12 salary line-items in the School Federal Projects Fund by \$7,364 and \$14,972, and in one of two salary line-items in the School Transportation Fund by \$1,950. The budget resolution approved by the county commission states that the salary, wages, or enumeration of each official, employee, or agent of the county shall not exceed appropriations that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the county commission.

Section 5-9-401, *Tennessee Code Annotated*, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs for the various departments,

commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies.”

RECOMMENDATION

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

MANAGEMENT’S RESPONSE – FINANCE DIRECTOR

Since consolidating under the County Financial Management System of 1981, Henderson County has regularly experienced findings in relation to bookkeeping. However, over the past two years, we have taken drastic steps to enhance our bookkeeping efforts, and our quality of bookkeeping has improved significantly. When considering historical bookkeeping findings for Henderson County, the findings in question indicate the county is heading in the right direction. Considering our office manages funds of approximately \$50,000,000 each year, Items A. and C. could be considered immaterial. As for Item B., the school’s federal project funds are not typically reviewed by the county commission. These funds are approved in E-plan in conjunction with the Tennessee Department of Education.

AUDITOR'S COMMENT

We do agree there has been improvement in this area; however, expenditures that exceed appropriations are unauthorized expenditures. Additionally, Section 1 of the county’s budget resolution states, “Be it further resolved that the budget for the School Federal Projects Fund shall be the budget approved for separate projects within No Child Left Behind (NCLB), Individuals with Disabilities Education Act (IDEA – Part B and Preschool), Carl Perkins Vocational funds and other federal grants by the Henderson County Board of Education.” The expenditures that exceeded appropriations in the School Federal Projects Fund were not approved by the county commission or the board of education.

FINDING 2018-002

THE SCHOOL FEDERAL PROJECTS FUND HAD A CASH OVERDRAFT OF \$68,390 AT JUNE 30, 2018

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

The School Federal Projects Fund had a cash overdraft of \$68,390 at June 30, 2018. This cash overdraft resulted from the issuance of checks exceeding cash on deposit with the county trustee. Sound business practices dictate that expenditures be held within available funds. The cash overdraft was liquidated subsequent to June 30, 2018.

RECOMMENDATION

The School Department should not issue checks exceeding cash on deposit with the county trustee.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

Our School Federal Projects Fund is funded by federal dollars and reimbursed on a monthly basis by the state. Around the end of the 2018 school year, management experienced turnover in the bookkeeper position; and therefore, we contacted the State Department of Education regarding our reimbursement requests. We were notified that our requests would be processed, but due to scheduling conflicts, the state was not available for immediate assistance. This caused the reimbursements to be deposited after the beginning of the next fiscal year, leaving a small deficit in cash. The State Department of Education was fully aware of the situation, and funds were reimbursed as promised.

FINDING 2018-003

COMPETITIVE BIDS WERE NOT SOLICITED FOR THE PURCHASE OF PATROL CARS

(Noncompliance Under *Government Auditing Standards*)

As part of our audit procedures for determining whether the purchasing process was operating as designed, we selected a sample of 82 disbursements totaling \$1,012,188 from a population of 7,662 vendor checks totaling \$16,909,467. Our examination revealed that competitive bids were not solicited for four patrol cars that cost \$98,548. Purchasing procedures for the county are governed by the County Financial Management System of 1981, which requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$25,000. This deficiency is the result of a lack of management oversight. As a result, the best and lowest price may not have been obtained for the purchase of the patrol cars.

RECOMMENDATION

All purchases should be made in compliance with the County Financial Management System of 1981.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

For several years, the county has budgeted funds for the purchase of patrol cars. In recent years, the purchase price for each patrol car has remained slightly below the required bid guidelines. Considering this, management did not solicit bids, which is in-line with purchases under \$25,000 per the county's purchasing guidelines, and as good stewards of taxpayer money, the Sheriff's Department worked with local vendors to obtain competitive quotes. However, our auditors have notified the county that the consolidated purchase, which includes several patrol cars that were purchased at different times, would be taken in consideration when satisfying bid requirements. We have corrected the issue for the current fiscal year.

FINDING 2018-004

THE OFFICE DID NOT FILE A REPORT ON DEBT OBLIGATION WITH THE STATE COMPTROLLER'S OFFICE IN A TIMELY MANNER

(Noncompliance Under *Government Auditing Standards*)

The office did not file a Report on Debt Obligation with the state Comptroller's Office for a lease-purchase agreement in a timely manner. On July 26, 2017, the county entered into a lease-purchase agreement totaling \$105,668 for the purchase of a Caterpillar asphalt compactor; however, the office did not file a Report on Debt Obligation until April 13, 2018, when it was brought to their attention during the audit. Section 9-21-151, *Tennessee Code Annotated*, requires that within 45 days following the issuance of debt, a county must provide to the state Comptroller's Office certain information, such as a description of the purchase for which the debt was issued, a description of the debt obligation, and an itemized description of the cost of issuance. This deficiency was the result of a lack of management oversight.

RECOMMENDATION

The office should file a Report on Debt Obligation with the state Comptroller's Office for each debt issuance within 45 days following the issuance of the debt as required by state statute.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

For the lease in question, the appropriate funds were approved by the county commission, and management completed the lease in accordance with our purchasing guidelines. Management was not aware that the lease in question needed to be filed with the Comptroller's Office. However, once management was notified of this requirement, the form was completed and filed within the same fiscal year.

OFFICE OF ASSESSOR OF PROPERTY

FINDING 2018-005

AN INVESTIGATION OF THE ASSESSOR OF PROPERTY'S OFFICE DISCLOSED DEFICIENCIES RELATED TO PROPERTY ASSESSMENTS AND PAYROLL RECORDS

(Noncompliance Under *Government Auditing Standards*)

An investigation by the Comptroller's Division of Investigations disclosed deficiencies related to property assessments and payroll records. Details of the investigation can be found in a report dated January 11, 2018, released by the Comptroller's Division of Investigations at www.comptroller.tn.gov.

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, 2018.

Henderson County, Tennessee
Management's Corrective Action Plan
For the Year Ended June 30, 2018

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 in this section and have been indexed below. The corrective action plans were prepared by management and have been presented as they were submitted.

Finding Number	Title of Finding	Corrective Action Plan Page Number
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OFFICE OF FINANCE DIRECTOR

2018-001	The Office Had Deficiencies in Budget Operations	189
2018-002	The School Federal Projects Fund Had a Cash Overdraft of \$68,390 at June 30, 2018	190
2018-003	Competitive Bids Were Not Solicited for the Purchase of Patrol Cars	191
2018-004	The Office Did Not File a Report on Debt Obligation with the State Comptroller's Office in a Timely Manner	192



HENDERSON COUNTY FINANCE DEPT.

17 Monroe St, 2nd Floor, PO Box 495

Lexington, TN 38351

Phone: (731) 968-5550 | Fax: (731) 968-4475 | www.hendersoncountyttn.gov

Corrective Action Plan

FINDING: THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS

Response and Corrective Action Plan Prepared by:

Lee Wilkinson, Finance Director

Person Responsible for Implementing the Corrective Action:

Lee Wilkinson, Finance Director

Anticipated Completion Date of Corrective Action:

During the current fiscal year (before June 30, 2019)

Repeat Finding:

Yes

Reason Corrective Action was Not Taken in the Prior Year:

The Finance Department has experienced bookkeeping findings for the majority of the past 15 years since consolidating under the 1981 Financial Management Act. A new Finance Director, along with two accountants, has recently been hired, and efforts are being made to improve bookkeeping.

Planned Corrective Action:

Over the past two fiscal years, the Finance Department has acquired a new Finance Director, along with two accountants (each with Bachelor Degrees in Accounting), which includes our Deputy Finance Director. Bookkeeping efforts have experienced significant improvements since these changes have been implemented, and Management is working to resolve any remaining deficiencies.

SIGNATURE:



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Corrective Action Plan

FINDING: THE SCHOOL FEDERAL PROJECTS FUND HAD A CASH OVERDRAFT OF \$68,390 AT JUNE 30, 2018

Response and Corrective Action Plan Prepared by:

Lee Wilkinson, Finance Director

Person Responsible for Implementing the Corrective Action:

Lee Wilkinson, Finance Director

Anticipated Completion Date of Corrective Action:

During the current fiscal year (before June 30, 2019)

Repeat Finding:

No

Reason Corrective Action was Not Taken in the Prior Year:

Not applicable

Planned Corrective Action:

The Department of Education has assisted our new bookkeeper in creating an account for Eplan. Being such, our bookkeeper has the appropriate authorization to request reimbursements for the fund in question.

SIGNATURE: _____



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Corrective Action Plan

FINDING: COMPETITIVE BIDS WERE NOT SOLICITED FOR THE PURCHASE OF PATROL CARS

Response and Corrective Action Plan Prepared by:

Lee Wilkinson

Person Responsible for Implementing the Corrective Action:

Lee Wilkinson, Finance Director

Anticipated Completion Date of Corrective Action:

During the current fiscal year (before June 30, 2019)

Repeat Finding:

No

Reason Corrective Action was Not Taken in the Prior Year:

Not applicable

Planned Corrective Action:

Management has solicited bids for patrol cars in the current fiscal year.

SIGNATURE:



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Corrective Action Plan

FINDING: THE OFFICE DID NOT FILE REPORT ON DEBT OBLIGATION WITH THE STATE
COMPTROLLER'S OFFICE IN A TIMELY MANNER

Response and Corrective Action Plan Prepared by:
Lee Wilkinson

Person Responsible for Implementing the Corrective Action:
Lee Wilkinson, Finance Director

Anticipated Completion Date of Corrective Action:
During the current fiscal year (before June 30, 2019)

Repeat Finding:
No

Reason Corrective Action was Not Taken in the Prior Year:
Not applicable

Planned Corrective Action:
Management has filed the Report in relation to the lease in question. Management will continue to file the Report on Debt Obligation for these types of leases in the future.

SIGNATURE: _____