

ANNUAL FINANCIAL REPORT
HENDERSON COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2015



DIVISION OF LOCAL GOVERNMENT AUDIT



**ANNUAL FINANCIAL REPORT
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FOR THE YEAR ENDED JUNE 30, 2015**

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

***DIVISION OF LOCAL GOVERNMENT AUDIT
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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, 2015

Scope

We have audited the basic financial statements of Henderson County as of and for the year ended June 30, 2015.

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICE OF FINANCE DIRECTOR

- ◆ Designated situs-based taxes were inadequate to fund rural fire protection.
 - ◆ Amounts withheld from contractor payments were not deposited into an escrow account.
-

OFFICE OF ASSESSOR OF PROPERTY

- ◆ The assessor did not adequately maintain assessment maps.
-

OFFICES OF COUNTY CLERK AND CIRCUIT COURT CLERK

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

OFFICE OF CLERK AND MASTER

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

OFFICES OF FINANCE DIRECTOR, COUNTY CLERK, AND SHERIFF

- ◆ Duties were not segregated adequately.

INTRODUCTORY SECTION

Henderson County Officials

June 30, 2015

Officials

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

Board of County Commissioners

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

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

Board of Education

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

Financial Management Committee

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

Audit Committee

Tommy Page, Chairman
Aaron Wood
John Wood

FINANCIAL SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
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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, 2015, 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, 2015, 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. 68, *Accounting and Financial Reporting for Pensions*; GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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 a restatement increasing the beginning Governmental Activities net position by \$153,333 and decreasing the discretely presented Henderson County School Department net position by \$3,936,783 on the Government-wide Statement of Activities. These restatements were necessary because of the transitional requirements of GASB Statement No. 68, *Accounting and Financial Reporting for 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 schedules of changes in the county's net pension liability and related ratios, schedules of county and school contributions, schedule of school's proportionate share of the net pension asset, and schedule of funding progress - other postemployment benefits plans on pages 75-84 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

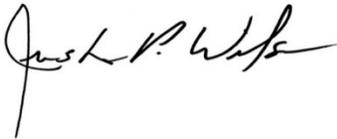
component unit), and miscellaneous schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2015, on our consideration of Henderson County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Henderson County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

November 6, 2015

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Henderson County, Tennessee
Statement of Net Position
June 30, 2015

	Primary Government Governmental Activities	Component Unit Henderson County School Department
<u>ASSETS</u>		
Cash	\$ 668,212	\$ 0
Equity in Pooled Cash and Investments	9,044,443	9,771,299
Accounts Receivable	102,640	142
Due from Other Governments	751,989	609,259
Due from Component Units	1,519,382	0
Property Taxes Receivable	6,387,958	3,094,459
Allowance for Uncollectible Property Taxes	(69,786)	(33,806)
Net Pension Asset - Agent Plan	930,694	1,114,337
Net Pension Asset - Cost-sharing Plan	0	59,749
Capital Assets:		
Assets Not Depreciated:		
Land	2,127,209	1,151,661
Construction in Progress	0	3,155,830
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	13,758,258	16,483,701
Infrastructure	1,023,809	84,251
Other Capital Assets	1,348,166	629,958
Total Assets	<u>\$ 37,592,974</u>	<u>\$ 36,120,840</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Charge on Refunding	\$ 931,863	\$ 0
Pension Changes in Experience	12,859	160,453
Pension Other Deferrals	0	103,444
Pension Contributions after Measurement Date	440,700	1,564,254
Total Deferred Outflows of Resources	<u>\$ 1,385,422</u>	<u>\$ 1,828,151</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 0	\$ 427
Payroll Deductions Payable	90	438,215
Contracts Payable	0	95,143
Retainage Payable	0	86,068
Accrued Interest Payable	178,997	0
Due to Primary Government	0	1,519,382
Noncurrent Liabilities:		
Due Within One Year	2,719,342	0
Due in More Than One Year (net of deferred discount and unamortized premium on debt)	26,878,746	916,935
Total Liabilities	<u>\$ 29,777,175</u>	<u>\$ 3,056,170</u>

(Continued)

Exhibit A

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

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Henderson County School Department</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Current Property Taxes	\$ 6,103,348	\$ 2,956,588
Pension Changes in Experience	280	0
Pension Changes in Investment Earnings	439,901	5,297,623
Total Deferred Inflows of Resources	<u>\$ 6,543,529</u>	<u>\$ 8,254,211</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	\$ 2,173,992	\$ 21,505,401
Restricted for:		
General Government	37,612	0
Finance	2,200	0
Administration of Justice	309,035	0
Public Safety	193,275	0
Public Health and Welfare	210,318	0
Highway/Public Works	1,627,666	0
Debt Service	3,153,619	0
Other Purposes	1,001,190	0
Education	0	1,298,100
Operation of Non-instructional Services	0	732,817
Capital Outlay	0	2,071
Unrestricted	<u>(6,051,215)</u>	<u>3,100,221</u>
Total Net Position	<u>\$ 2,657,692</u>	<u>\$ 26,638,610</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, 2015

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 Government	Component Unit
					Total Governmental Activities	Henderson County School Department
Primary Government:						
Governmental Activities:						
General Government	\$ 1,638,510	\$ 112,926	\$ 57,014	\$ 0	\$ (1,468,570)	\$ 0
Finance	1,110,524	752,417	0	0	(358,107)	0
Administration of Justice	1,116,052	1,148,416	9,350	0	41,714	0
Public Safety	5,495,223	1,839,090	35,000	256,672	(3,364,461)	0
Public Health and Welfare	674,831	51,634	140,926	0	(482,271)	0
Social, Cultural, and Recreational Services	113,537	0	0	3,858	(109,679)	0
Agriculture and Natural Resources	69,941	0	0	0	(69,941)	0
Highways	2,227,587	0	1,822,600	0	(404,987)	0
Interest on Long-term Debt	1,078,987	0	590,032	0	(488,955)	0
Total Primary Government	\$ 13,525,192	\$ 3,904,483	\$ 2,654,922	\$ 260,530	\$ (6,705,257)	\$ 0
Component Unit:						
Henderson County School Department	\$ 30,357,636	\$ 884,947	\$ 4,175,007	\$ 107,719	\$ 0	\$ (25,189,963)
Total Component Unit	\$ 30,357,636	\$ 884,947	\$ 4,175,007	\$ 107,719	\$ 0	\$ (25,189,963)

(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 Government	Component Unit
					Total Governmental Activities	Henderson County School Department
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes					\$ 5,119,546	\$ 3,063,003
Property Taxes Levied for Debt Service					1,138,675	0
Local Option Sales Taxes					694,679	2,728,215
Hotel/Motel Tax					52,700	0
Wheel Tax					899,133	365,152
Litigation Taxes					240,484	0
Business Tax					263,812	0
Wholesale Beer Tax					84,763	0
Other Local Taxes					416	4,790
Grants and Contributions Not Restricted to Specific Programs					178,430	20,963,251
Unrestricted Investment Income					156,965	5,716
Miscellaneous					166,658	38,109
Pension Income					36,031	77,143
Total General Revenues					\$ 9,032,292	\$ 27,245,379
Change in Net Position						
Net Position, July 1, 2014					\$ 2,327,035	\$ 2,055,416
Restatement - Pension Asset and Liability (See Note I.D.8)					177,324	28,519,977
					153,333	(3,936,783)
Net Position, June 30, 2015					\$ 2,657,692	\$ 26,638,610

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, 2015

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Rural Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 668,212	\$ 668,212
Equity in Pooled Cash and Investments	3,850,699	1,453,938	2,705,522	670,725	363,559	9,044,443
Accounts Receivable	26,858	34	24,734	0	51,014	102,640
Due from Other Governments	307,554	334,102	0	98,500	11,833	751,989
Due from Other Funds	264	0	0	0	0	264
Property Taxes Receivable	4,538,260	239,077	1,149,245	0	461,376	6,387,958
Allowance for Uncollectible Property Taxes	(49,578)	(2,612)	(12,556)	0	(5,040)	(69,786)
Total Assets	<u>\$ 8,674,057</u>	<u>\$ 2,024,539</u>	<u>\$ 3,866,945</u>	<u>\$ 769,225</u>	<u>\$ 1,550,954</u>	<u>\$ 16,885,720</u>
<u>LIABILITIES</u>						
Payroll Deductions Payable	\$ 90	\$ 0	\$ 0	\$ 0	\$ 0	\$ 90
Due to Other Funds	0	0	0	0	264	264
Total Liabilities	<u>\$ 90</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 264</u>	<u>\$ 354</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Deferred Current Property Taxes	\$ 4,336,062	\$ 228,425	\$ 1,098,041	\$ 0	\$ 440,820	\$ 6,103,348
Deferred Delinquent Property Taxes	143,588	7,564	36,361	0	14,598	202,111
Other Deferred/Unavailable Revenue	137,046	172,317	0	49,642	6,164	365,169
Total Deferred Inflows of Resources	<u>\$ 4,616,696</u>	<u>\$ 408,306</u>	<u>\$ 1,134,402</u>	<u>\$ 49,642</u>	<u>\$ 461,582</u>	<u>\$ 6,670,628</u>

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Rural Debt Service	Other Govern- mental Funds	
<u>FUND BALANCES</u>						
Restricted:						
Restricted for General Government	\$ 37,612	\$ 0	\$ 0	\$ 0	\$ 0	\$ 37,612
Restricted for Finance	2,200	0	0	0	0	2,200
Restricted for Administration of Justice	309,035	0	0	0	0	309,035
Restricted for Public Safety	106,889	0	0	0	86,386	193,275
Restricted for Public Health and Welfare	109,914	0	0	0	79,642	189,556
Restricted for Highways/Public Works	0	1,459,232	0	0	0	1,459,232
Restricted for Debt Service	0	0	2,204,097	109,079	0	2,313,176
Committed:						
Committed for Finance	0	0	0	0	326,111	326,111
Committed for Administration of Justice	0	0	0	0	392,784	392,784
Committed for Public Health and Welfare	0	0	0	0	204,185	204,185
Committed for Other Operations	190,271	0	0	0	0	190,271
Committed for Highways/Public Works	0	157,001	0	0	0	157,001
Committed for Debt Service	0	0	528,446	610,504	0	1,138,950
Unassigned	3,301,350	0	0	0	0	3,301,350
Total Fund Balances	\$ 4,057,271	\$ 1,616,233	\$ 2,732,543	\$ 719,583	\$ 1,089,108	\$ 10,214,738
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,674,057	\$ 2,024,539	\$ 3,866,945	\$ 769,225	\$ 1,550,954	\$ 16,885,720

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, 2015

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$ 10,214,738
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 2,127,209	
Add: buildings and improvements net of accumulated depreciation	13,758,258	
Add: infrastructure net of accumulated depreciation	1,023,809	
Add: other capital assets net of accumulated depreciation	<u>1,348,166</u>	18,257,442
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: note payable	\$ (210,000)	
Less: other loan payable	(1,519,382)	
Add: debt to be contributed by the School Department	1,519,382	
Less: bonds payable	(26,835,000)	
Add: deferred amount on refunding	931,863	
Add: deferred charges - discount on debt issued	4,979	
Less: compensated absences payable	(117,919)	
Less: landfill closure/postclosure care costs	(87,915)	
Less: other postemployment benefits liability	(170,765)	
Less: accrued interest on note and bonds	(178,997)	
Less: other deferred revenue - premium on debt	(319,958)	
Less: net pension liability - Henderson County Judges, Officials, and Executives agent plan	<u>(342,128)</u>	(27,325,840)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.		
Add: deferred outflows of resources related to pensions	\$ 453,559	
Less: deferred inflows of resources related to pensions	<u>(440,181)</u>	13,378
(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		930,694
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>567,280</u>
Net position of governmental activities (Exhibit A)		<u>\$ 2,657,692</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, 2015

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Rural Debt Service	Other Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 5,179,533	\$ 238,670	\$ 2,047,003	\$ 552,449	\$ 532,314	\$ 8,549,969
Licenses and Permits	950	0	0	0	0	950
Fines, Forfeitures, and Penalties	460,740	0	0	0	68,265	529,005
Charges for Current Services	67,411	0	0	0	866,487	933,898
Other Local Revenues	350,554	7,930	51,520	5,729	38,502	454,235
Fees Received from County Officials	638,891	0	0	0	0	638,891
State of Tennessee	1,581,000	1,809,783	0	0	0	3,390,783
Federal Government	264,960	0	0	0	0	264,960
Other Governments and Citizens Groups	421,230	0	104,268	550,000	0	1,075,498
Total Revenues	\$ 8,965,269	\$ 2,056,383	\$ 2,202,791	\$ 1,108,178	\$ 1,505,568	\$ 15,838,189
<u>Expenditures</u>						
Current:						
General Government	\$ 1,743,672	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,743,672
Finance	600,420	0	0	0	533,622	1,134,042
Administration of Justice	488,816	0	0	0	402,358	891,174
Public Safety	4,964,223	0	0	0	77,824	5,042,047
Public Health and Welfare	108,996	0	0	0	509,994	618,990
Social, Cultural, and Recreational Services	113,537	0	0	0	0	113,537
Agriculture and Natural Resources	102,280	0	0	0	0	102,280
Other Operations	575,505	0	0	0	0	575,505
Highways	0	2,114,189	0	0	0	2,114,189
Debt Service:						
Principal on Debt	65,000	0	1,761,444	1,580,000	0	3,406,444
Interest on Debt	8,250	0	926,281	180,615	0	1,115,146
Other Debt Service	0	0	217,984	6,598	0	224,582
Total Expenditures	\$ 8,770,699	\$ 2,114,189	\$ 2,905,709	\$ 1,767,213	\$ 1,523,798	\$ 17,081,608

(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	Rural Debt Service	Other Govern- mental Funds	
Excess (Deficiency) of Revenues Over Expenditures	\$ 194,570	\$ (57,806)	\$ (702,918)	\$ (659,035)	\$ (18,230)	\$ (1,243,419)
<u>Other Financing Sources (Uses)</u>						
Refunding Debt Issued	\$ 0	\$ 0	\$ 9,300,000	\$ 0	\$ 0	\$ 9,300,000
Premiums on Debt Issued	0	0	226,088	0	0	226,088
Insurance Recovery	218,163	0	0	0	1,024	219,187
Payments to Refunded Debt Escrow Agent	0	0	(9,343,690)	0	0	(9,343,690)
Total Other Financing Sources (Uses)	\$ 218,163	\$ 0	\$ 182,398	\$ 0	\$ 1,024	\$ 401,585
Net Change in Fund Balances	\$ 412,733	\$ (57,806)	\$ (520,520)	\$ (659,035)	\$ (17,206)	\$ (841,834)
Fund Balance, July 1, 2014	3,644,538	1,674,039	3,253,063	1,378,618	1,106,314	11,056,572
Fund Balance, June 30, 2015	\$ 4,057,271	\$ 1,616,233	\$ 2,732,543	\$ 719,583	\$ 1,089,108	\$ 10,214,738

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, 2015

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)		\$ (841,834)
(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	\$ 587,957	
Less: current-year depreciation expense	<u>(1,085,921)</u>	(497,964)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net position.		
Add: assets donated and capitalized	\$ 39,312	
Less: book value of assets disposed	<u>(2,333)</u>	36,979
(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, 2015	\$ 567,280	
Less: deferred delinquent property taxes and other deferred June 30, 2014	<u>(564,349)</u>	2,931
(4) The issuance of long-term debt (e.g., bonds, notes and other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items.		
Less: refunding bond proceeds	\$ (9,300,000)	
Add: refunded bond principal	8,620,000	
Less: change in premium on debt issuances	(208,880)	
Less: change in discount on debt issued	(2,801)	
Add: change in deferred amount on refunding debt	665,453	
Add: principal payments on bonds	3,260,000	
Add: principal payments on note	65,000	
Add: principal payments on other loan	81,444	
Less: contributions from the School Department for the other loan	<u>(81,444)</u>	3,098,772
(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	\$ 94,396	
Change in landfill closure/postclosure care costs	4,824	
Change in compensated absences payable	(17,314)	
Change in other postemployment benefits liability	(2,366)	
Change in net pension asset - Henderson County Employees agent plan	336,096	
Change in net pension liability - Henderson County Judges, Officials, and Executives agent plan	99,137	
Change in deferred outflows related to pensions	453,559	
Change in deferred inflows related to pensions	<u>(440,181)</u>	<u>528,151</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ 2,327,035</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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 5,179,533	\$ 5,009,240	\$ 5,072,455	\$ 107,078
Licenses and Permits	950	1,500	1,500	(550)
Fines, Forfeitures, and Penalties	460,740	406,000	426,000	34,740
Charges for Current Services	67,411	72,300	82,800	(15,389)
Other Local Revenues	350,554	199,500	251,350	99,204
Fees Received from County Officials	638,891	673,200	674,250	(35,359)
State of Tennessee	1,581,000	1,649,684	1,898,284	(317,284)
Federal Government	264,960	25,000	250,360	14,600
Other Governments and Citizens Groups	421,230	338,000	401,500	19,730
Total Revenues	<u>\$ 8,965,269</u>	<u>\$ 8,374,424</u>	<u>\$ 9,058,499</u>	<u>\$ (93,230)</u>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 97,006	\$ 92,260	\$ 106,710	\$ 9,704
Board of Equalization	1,500	1,500	1,500	0
County Mayor/Executive	130,934	133,876	133,876	2,942
County Attorney	20,911	9,895	29,895	8,984
Election Commission	171,635	175,229	181,929	10,294
Register of Deeds	133,317	148,518	148,518	15,201
County Buildings	1,188,369	811,649	1,381,249	192,880
<u>Finance</u>				
Accounting and Budgeting	278,651	292,005	292,005	13,354
Property Assessor's Office	245,904	260,358	260,358	14,454
County Trustee's Office	37,498	34,550	40,690	3,192
County Clerk's Office	38,367	33,600	45,875	7,508
<u>Administration of Justice</u>				
Circuit Court	41,005	42,018	45,068	4,063
General Sessions Court	211,202	204,692	221,642	10,440
Drug Court	4,930	10,000	10,000	5,070
Chancery Court	185,456	192,812	202,312	16,856
Juvenile Court	46,223	57,021	57,021	10,798
<u>Public Safety</u>				
Sheriff's Department	1,854,048	2,081,268	2,088,443	234,395
Administration of the Sexual Offender Registry	7,065	3,800	9,800	2,735
Workhouse	2,016,623	1,794,100	2,113,300	96,677
Fire Prevention and Control	429,847	225,938	464,313	34,466
Civil Defense	102,914	117,284	117,284	14,370
Rescue Squad	0	15,000	15,000	15,000
County Coroner/Medical Examiner	40,693	58,015	58,015	17,322
Other Public Safety	513,033	501,977	543,477	30,444
<u>Public Health and Welfare</u>				
Local Health Center	56,710	142,980	172,614	115,904
Alcohol and Drug Programs	7,500	10,500	10,500	3,000
Other Local Health Services	5,000	7,000	7,000	2,000
Appropriation to State	12,300	12,300	12,300	0
Aid to Dependent Children	0	700	700	700
Waste Pickup	27,486	48,784	48,784	21,298

(Continued)

Exhibit C-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Social, Cultural, and Recreational Services</u>				
Adult Activities	\$ 5,807	\$ 5,808	\$ 5,808	\$ 1
Senior Citizens Assistance	14,500	17,500	17,500	3,000
Libraries	44,000	44,000	44,000	0
Other Social, Cultural, and Recreational	49,230	55,700	55,700	6,470
<u>Agriculture and Natural Resources</u>				
Agricultural Extension Service	68,698	68,698	68,698	0
Soil Conservation	14,329	20,124	20,124	5,795
Flood Control	19,253	22,500	22,500	3,247
<u>Other Operations</u>				
Tourism	14,407	13,550	14,550	143
Industrial Development	15,267	14,150	15,400	133
Veterans' Services	65,644	69,520	71,090	5,446
Other Charges	309,968	312,500	310,930	962
Employee Benefits	11,422	26,000	26,000	14,578
Miscellaneous	158,797	184,745	186,430	27,633
<u>Principal on Debt</u>				
General Government	65,000	65,000	65,000	0
<u>Interest on Debt</u>				
General Government	8,250	10,200	10,200	1,950
Total Expenditures	\$ 8,770,699	\$ 8,449,624	\$ 9,754,108	\$ 983,409
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 194,570	\$ (75,200)	\$ (695,609)	\$ 890,179
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 218,163	\$ 0	\$ 111,000	\$ 107,163
Transfers In	0	75,200	0	0
Total Other Financing Sources	\$ 218,163	\$ 75,200	\$ 111,000	\$ 107,163
Net Change in Fund Balance	\$ 412,733	\$ 0	\$ (584,609)	\$ 997,342
Fund Balance, July 1, 2014	3,644,538	1,215,000	1,215,000	2,429,538
Fund Balance, June 30, 2015	\$ 4,057,271	\$ 1,215,000	\$ 630,391	\$ 3,426,880

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 (Budgetary Basis) and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2015

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 238,670	\$ 0	\$ 238,670	\$ 228,557	\$ 228,557	\$ 10,113
Other Local Revenues	7,930	0	7,930	0	0	7,930
State of Tennessee	1,809,783	0	1,809,783	2,570,965	2,570,965	(761,182)
Federal Government	0	0	0	135,000	135,000	(135,000)
Total Revenues	\$ 2,056,383	\$ 0	\$ 2,056,383	\$ 2,934,522	\$ 2,934,522	\$ (878,139)
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 158,039	\$ 0	\$ 158,039	\$ 139,398	\$ 179,128	\$ 21,089
Highway and Bridge Maintenance	1,282,016	(105,000)	1,177,016	1,446,740	1,505,148	328,132
Operation and Maintenance of Equipment	403,351	0	403,351	696,884	736,784	333,433
Other Charges	133,074	0	133,074	138,500	162,592	29,518
Employee Benefits	32,036	0	32,036	42,000	52,000	19,964
Capital Outlay	105,673	0	105,673	471,000	298,870	193,197
Total Expenditures	\$ 2,114,189	\$ (105,000)	\$ 2,009,189	\$ 2,934,522	\$ 2,934,522	\$ 925,333
Excess (Deficiency) of Revenues Over Expenditures	\$ (57,806)	\$ 105,000	\$ 47,194	\$ 0	\$ 0	\$ 47,194
Net Change in Fund Balance	\$ (57,806)	\$ 105,000	\$ 47,194	\$ 0	\$ 0	\$ 47,194
Fund Balance, July 1, 2014	1,674,039	(105,000)	1,569,039	1,009,192	1,009,192	559,847
Fund Balance, June 30, 2015	\$ 1,616,233	\$ 0	\$ 1,616,233	\$ 1,009,192	\$ 1,009,192	\$ 607,041

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, 2015

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,511,091
Equity in Pooled Cash and Investments	80,996
Accounts Receivable	6,828
Due from Other Governments	731,961
Taxes Receivable	482,461
Allowance for Uncollectible Taxes	<u>(5,270)</u>
Total Assets	<u>\$ 2,808,067</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 1,290,218
Due to Litigants, Heirs, and Others	<u>1,517,849</u>
Total Liabilities	<u>\$ 2,808,067</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, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

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. Although required by GAAP, the financial statements of the

Henderson County Emergency Communications District were not available in time for inclusion, as previously mentioned. 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, 2015.

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.

Rural Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal and interest on rural school debt.

Additionally, Henderson County reports the following fund type:

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

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

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

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

Additionally, Henderson County reports the following fund type:

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

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

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

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Henderson County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General and General Debt Service funds. Henderson County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other

investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to .57 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.

Retainage payable in the School Department's nonmajor governmental funds represents amounts withheld from payments made on construction contracts pending completion of the projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments in the nonmajor governmental funds.

3. Capital Assets

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

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

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

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

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

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

4. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that

qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These items are from the following sources: current and delinquent property taxes, pension changes in experience and investment earnings, and various receivables for revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

5. Compensated Absences

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

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

6. Long-term Obligations

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

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

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a

liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences, landfill postclosure care costs, and other postemployment benefits, are recognized to the extent that the liabilities have matured (come due for payment) each period.

7. Net Position and Fund Balance

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

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

As of June 30, 2015, Henderson County had \$12,661,782 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 Budget Committee to make assignments for the general government. The Board of Education makes assignments for the School Department.

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

8. Restatements

In prior years, the government was not required to recognize a liability for its defined benefit pension plans. However, with the implementation of GASB Statement No. 68, government employers are required to recognize a new pension liability in their Statement of Net Position. Therefore, a restatement increasing Henderson County's net position by \$153,333 has been recognized in the Statement of Activities for assets of \$594,598 for the Henderson County Employees agent plan and for liabilities of \$441,265 for the Henderson County Judges, Officials, and Executives agent plan. In addition, a restatement decreasing the Henderson County School Department's beginning net position by \$3,936,783 has been recognized on the Statement of Activities for assets

of \$711,923 for the pension agent plan and for liabilities of \$4,648,706 for the pension cost-sharing plan.

E. Pension Plans

Primary Government

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

Discretely Presented Henderson County School Department

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Henderson County School Department

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

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

Primary Government

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

Discretely Presented Henderson County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

At June 30, 2015, the Henderson County School Department reported a significant encumbrance of \$131,813 for equipment in the Central Cafeteria Fund.

B. Excess Fees Totaling \$488,200 in the Offices of County Clerk and Circuit Court Were Not Remitted to the County General Fund

The county clerk and circuit court clerk did not report and pay excess fees of approximately \$483,200 to the county in compliance with Section 8-22-104, *Tennessee Code Annotated*. This statute requires excess fees to be reported and paid to the county quarterly and authorizes the clerks to retain sufficient fees to operate their offices for three months. Excess fees retained in these offices exceeded statutory limits for each quarter covered by our examination. The county clerk's excess fees on June 30, 2015, were approximately \$227,200 more than the amount permitted by state statute. The circuit court clerk's excess fees on June 30, 2015, were approximately \$256,000 more than the amount permitted by state statute. Therefore, approximately \$483,200 (\$227,200 plus \$256,000) is due to the county's General Fund, which could be used to pay county expenses.

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, 2015.

B. Capital Assets

Capital assets activity for the year ended June 30, 2015, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Not Depreciated:				
Land	\$ 2,127,209	\$ 0	\$ 0	\$ 2,127,209
Total Capital Assets Not Depreciated	\$ 2,127,209	\$ 0	\$ 0	\$ 2,127,209
Capital Assets Depreciated:				
Buildings and Improvements	\$ 17,711,044	\$ 447,522	\$ 107,719	\$ 18,050,847
Infrastructure	2,401,635	0	0	2,401,635
Other Capital Assets	6,104,307	179,747	56,300	6,227,754
Total Capital Assets Depreciated	\$ 26,216,986	\$ 627,269	\$ 164,019	\$ 26,680,236
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 3,737,795	\$ 662,513	\$ 107,719	\$ 4,292,589
Infrastructure	1,260,918	116,908	0	1,377,826
Other Capital Assets	4,627,055	306,500	53,967	4,879,588
Total Accumulated Depreciation	\$ 9,625,768	\$ 1,085,921	\$ 161,686	\$ 10,550,003
Total Capital Assets Depreciated, Net	\$ 16,591,218	\$ (458,652)	\$ 2,333	\$ 16,130,233
Governmental Activities Capital Assets, Net	\$ 18,718,427	\$ (458,652)	\$ 2,333	\$ 18,257,442

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

Governmental Activities:

General Government	\$ 34,163
Administration of Justice	159,166
Public Safety	669,620
Public Health and Welfare	54,157
Highway/Public Works	168,815
Total Depreciation Expense - Governmental Activities	\$ 1,085,921

Discretely Presented Henderson County School Department

Governmental Activities:

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Not Depreciated:				
Land	\$ 939,161	\$ 212,500	\$ 0	\$ 1,151,661
Construction in Progress	2,174,284	1,817,544	835,998	3,155,830
Total Capital Assets Not Depreciated	\$ 3,113,445	\$ 2,030,044	\$ 835,998	\$ 4,307,491
Capital Assets Depreciated:				
Building and Improvements	\$ 39,314,807	\$ 3,689,174	\$ 0	\$ 43,003,981
Infrastructure	99,606	0	0	99,606
Other Capital Assets	1,666,142	128,967	0	1,795,109
Total Capital Assets Depreciated	\$ 41,080,555	\$ 3,818,141	\$ 0	\$ 44,898,696
Less Accumulated Depreciation For:				
Building and Improvements	\$ 25,264,450	\$ 1,255,830	\$ 0	\$ 26,520,280
Infrastructure	10,375	4,980	0	15,355
Other Capital Assets	926,713	238,438	0	1,165,151
Total Accumulated Depreciation	\$ 26,201,538	\$ 1,499,248	\$ 0	\$ 27,700,786
Total Capital Assets Depreciated, Net	\$ 14,879,017	\$ 2,318,893	\$ 0	\$ 17,197,910
Governmental Activities Capital Assets, Net	\$ 17,992,462	\$ 4,348,937	\$ 835,998	\$ 21,505,401

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

Governmental Activities:

Instruction	\$ 973,463
Support Services	445,180
Operation of Noninstructional Services	<u>80,605</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,499,248</u>

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2015, was as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$ 264

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

Due to/from Primary Government and Component Unit:

Receivable Fund	Payable Fund	Amount
Primary Government: Governmental Activities	Component Unit: School Department: Governmental Activities	\$ 1,519,382

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, 2015, consisted of the following amounts:

Discretely Presented Henderson County School Department

Transfers Out	Transfers In	
	General Purpose School Fund	Nonmajor Governmental Fund
General Purpose School Fund	\$ 0	\$ 384,531
Nonmajor governmental fund	6,967	0
Total	\$ 6,967	\$ 384,531

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

D. Long-term Obligations

Primary Government

General Obligation Bonds, Notes, and Other Loan

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, the capital outlay note, and the other loan outstanding were issued for original terms of up to 20 years for bonds, up to eight years for the note, and up to 21 years for the other loan. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, the note, and the other loan included in long-term debt as of June 30, 2015, will be retired from the General, General Debt Service, and Rural Debt Service funds.

General obligation bonds, the capital outlay note, and the other loan outstanding as of June 30, 2015, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-15
General Obligation Bonds	1.75 to 4.75%	4-1-29	\$ 19,900,000	\$ 12,290,000
General Obligation Bonds - Refunding	1 to 5	4-1-29	24,300,000	14,545,000
Capital Outlay Note	3	4-1-18	405,000	210,000
Other Loan	1.38	12-31-31	1,800,582	1,519,382

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

The annual requirements to amortize all general obligation bonds, the note, and the other loan outstanding as of June 30, 2015, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2016	\$ 2,460,000	\$ 788,946	\$ 3,248,946
2017	2,200,000	750,048	2,950,048
2018	1,945,000	667,924	2,612,924
2019	2,110,000	608,398	2,718,398
2020	2,095,000	543,674	2,638,674
2021-2025	9,470,000	1,819,723	11,289,723
2026-2029	6,555,000	528,690	7,083,690
Total	<u>\$ 26,835,000</u>	<u>\$ 5,707,403</u>	<u>\$ 32,542,403</u>

Year Ending June 30	Note		
	Principal	Interest	Total
2016	\$ 70,000	\$ 6,300	\$ 76,300
2017	70,000	4,200	74,200
2018	70,000	2,100	72,100
Total	<u>\$ 210,000</u>	<u>\$ 12,600</u>	<u>\$ 222,600</u>

Year Ending June 30	Other Loan			
	Principal	Interest	Other Fees	Total
2016	\$ 82,572	\$ 20,448	\$ 1,212	\$ 104,232
2017	83,724	19,296	1,152	104,172
2018	84,876	18,144	1,080	104,100
2019	86,064	16,956	1,020	104,040
2020	87,252	15,768	948	103,968
2021-2025	454,800	60,300	3,660	518,760
2026-2030	487,272	27,828	1,788	516,888
2031-2032	152,822	1,599	136	154,557
Total	<u>\$ 1,519,382</u>	<u>\$ 180,339</u>	<u>\$ 10,996</u>	<u>\$ 1,710,717</u>

There is \$3,452,126 available in the debt service funds to service long-term debt. Debt per capita, including bonds, the note, and the other loan totaled \$1,029, based on the 2010 federal census.

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

<u>Description of Indebtedness</u>	<u>Outstanding 6-30-15</u>
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Other Loan

Contributions from the General Purpose School Fund

Clean Water State Revolving Fund	\$ 1,519,382
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Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2015, was as follows:

Governmental Activities:

	<u>Bonds</u>	<u>Note</u>	<u>Other Loan</u>
Balance, July 1, 2014	\$ 29,415,000	\$ 275,000	\$ 1,600,826
Additions	9,300,000	0	0
Reductions	(11,880,000)	(65,000)	(81,444)
Balance, June 30, 2015	<u>\$ 26,835,000</u>	<u>\$ 210,000</u>	<u>\$ 1,519,382</u>
Balance Due Within One Year	<u>\$ 2,460,000</u>	<u>\$ 70,000</u>	<u>\$ 82,572</u>

	<u>Compensated Absences</u>	<u>Landfill Postclosure Care Costs</u>	<u>Other Postemployment Benefits</u>
Balance, July 1, 2014	\$ 100,605	\$ 92,739	\$ 168,399
Additions	181,540	1,342	8,174
Reductions	(164,226)	(6,166)	(5,808)
Balance, June 30, 2015	<u>\$ 117,919</u>	<u>\$ 87,915</u>	<u>\$ 170,765</u>
Balance Due Within One Year	<u>\$ 100,604</u>	<u>\$ 6,166</u>	<u>\$ 0</u>

	<u>*Restated Net Pension Liability</u>
Balance, July 1, 2014	\$ 441,265
Additions	231,721
Reductions	(330,858)
Balance, June 30, 2015	<u>\$ 342,128</u>
Balance Due Within One Year	<u>\$ 0</u>

*See Note I.D.8 for restatement of the Henderson County Judges, Officials, and Executives agent plan. The restatement in Note I.D.8 is comprised of an amount for the beginning net pension liability of (\$486,310) and an amount for employer contributions made during the year ended June 30, 2014, of \$45,045.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	\$ 29,283,109
Less: Balance Due Within One Year	(2,719,342)
Less: Deferred Discount on Debt	(4,979)
Add: Unamortized Premium on Debt	<u>319,958</u>
 Noncurrent Liabilities - Due in More Than One Year - Exhibit A	 <u>\$ 26,878,746</u>

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

Current and Advance Refunding

On June 10, 2015, Henderson County issued \$9,300,000 in general obligation refunding bonds for a current refunding of \$2,020,000 in High School Refunding Bonds, Series 2004. Also, the refunding bonds were used to advance refund a portion of G.O. Bonds, Series 2008 totaling \$6,600,000 by providing resources to purchase U.S. government securities that were placed in an irrevocable trust to generate resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered defeased, and the liability has been removed from the county's long-term debt. As a result of the refunding, total debt service payments over the next 14 years will be reduced by \$883,204, and an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$781,782 was obtained.

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, 2015, was as follows:

Governmental Activities:

	Other Postemployment Benefits
Balance, July 1, 2014	\$ 876,784
Additions	174,903
Reductions	<u>(134,752)</u>
Balance, June 30, 2015	<u>\$ 916,935</u>
Balance Due Within One Year	<u>\$ 0</u>

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

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Henderson County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state’s Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2015, were \$85,502 and \$34,438, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. OTHER INFORMATION

A. Risk Management

Liability, Property, Casualty, and Workers’ Compensation Insurance

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

Employee Health Insurance

Henderson County participates in the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of

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

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

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27*; Statement No. 69, *Government Combinations and Disposals of Government Operations*; and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an Amendment of GASB Statement No. 68* became effective for the year ended June 30, 2015.

GASB Statement No. 68, replaces the requirements of Statements No. 27 and No. 50 as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this statement. This statement establishes standards for measuring and recognizing liabilities, deferred outflows/inflows, and expenses/expenditures.

GASB Statement No. 69, establishes accounting and financial reporting standards related to government combinations and disposals of government operations such as mergers, acquisitions, and transfer of operations.

GASB Statement No. 71, addresses issues related to contributions made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

C. Contingent Liabilities

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

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 \$87,915 reported as postclosure care liability at June 30, 2015, represents the county's 50 percent share of the amounts based on what it would cost to perform all postclosure care in 2015. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

E. Joint Ventures

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

statement depicting the amount of care rendered by the hospital to indigent patients. As of October 31, 2014, all trust funds had been used and the Board of Trustees was dissolved.

The Beech River Regional Airport was established through a joint operations agreement between Decatur County, Henderson County, the City of Parsons, and the City of Lexington. The agreement created the Beech River Regional Airport Board to plan, develop, and maintain a regional airport that will economically benefit all residents of the two-county area. The board comprises nine members, two from each governmental unit and one appointed by the governmental entities on a one-year rotation basis. Each participant retains a 25 percent ownership in the airport; however, participants do not retain an equity interest in the airport. During the year ended June 30, 2015, the county appropriated an operating subsidy of \$32,294 to the airport.

The Everett Horn Public Library is a joint venture between Henderson County and the City of Lexington. It is operated by an appointed seven-member board. The library is jointly funded by the county and the City of Lexington with additional revenues received from private contributions. During the year ended June 30, 2015, the county contributed \$44,000 to the library.

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

Administrative Offices:

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

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

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

F. Retirement Commitments

Tennessee Consolidated Retirement System (TCRS)

Primary Government

General Information About the Pension Plan

Plan Description. Most employees of Henderson County and non-certified employees of the discretely presented Henderson County School Department are provided a defined benefit pension plan (Henderson County Employees Plan) through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 45.51 percent and the non-certified employees of the discretely present School Department comprise 54.49 percent of the Henderson County Employees Plan based on census data. In addition, certain 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 census data. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

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

Employees Covered by Benefit Terms. At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Henderson County Employees:

Inactive Employees or Beneficiaries Currently Receiving Benefits	66
Inactive Employees Entitled to But Not Yet Receiving Benefits	206
Active Employees	<u>301</u>
Total	<u><u>573</u></u>

Henderson County Judges, Officials, and Executives:

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

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. 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, 2015, employer contributions for Henderson County were \$637,801 based on a rate of 8.47 percent of pensionable payroll for the Henderson County Employees Plan and were \$70,139 based on a rate of 8.37 percent of pensionable payroll for the Henderson County Judges, Officials, and Executives Plan. By law, employer contributions are required to be paid. The TCRS may intercept Henderson County's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Henderson County's net pension liability (asset) was measured as of June 30, 2014, 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, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

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

Changes in the Net Pension Liability (Asset)

Henderson County Employees:	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance, July 1, 2013	\$ 8,397,431	\$ 9,089,060	\$ (691,629)
Changes for the year:			
Service Cost	\$ 478,864	\$ 0	\$ 478,864
Interest	652,941	0	652,941
Differences Between Expected and Actual Experience	32,965	0	32,965
Contributions-Employer	0	614,892	(614,892)
Contributions-Employees	0	349,768	(349,768)
Net Investment Income	0	1,564,166	(1,564,166)
Benefit Payments, Including Refunds of Employee Contributions	(340,827)	(340,827)	0
Administrative Expense	0	(10,654)	10,654
Other Changes	0	0	0
Net Changes	\$ 823,943	\$ 2,177,345	\$ (1,353,402)
Balance, June 30, 2014	\$ 9,221,374	\$ 11,266,405	\$ (2,045,031)

Henderson County Judges,
Officials, and Executives:

	Increase (Decrease)		
	Total	Plan	Net
	Pension Liability (a)	Fiduciary Net Position (b)	Pension Liability (a)-(b)
Balance, July 1, 2013	\$ 2,228,392	\$ 1,742,082	\$ 486,310
Changes for the year:			
Service Cost	\$ 62,155	\$ 0	\$ 62,155
Interest	169,073	0	169,073
Differences Between Expected and Actual Experience	(350)	0	(350)
Contributions-Employer	0	45,045	(45,045)
Contributions- Employees	0	40,654	(40,654)
Net Investment Income	0	289,854	(289,854)
Benefit Payments, Including Refunds of Employee Contributions	(72,479)	(72,479)	0
Administrative Expense	0	(493)	493
Other Changes	0	0	0
Net Changes	\$ 158,399	\$ 302,581	\$ (144,182)
Balance, June 30, 2014	\$ 2,386,791	\$ 2,044,663	\$ 342,128

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

		Total	Plan	Net
		Pension	Fiduciary	Pension
		Liability	Net	Liability
			Position	(Asset)
Primary Government	45.51%	\$ 4,196,647	\$ 5,127,341	\$ (930,694)
School Department	54.49%	5,024,727	6,139,064	(1,114,337)
Total		\$ 9,221,374	\$ 11,266,405	\$ (2,045,031)

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

		Total	Plan	Net
		Pension	Fiduciary	Pension
		Liability	Net	Liability
			Position	(Asset)
Primary Government	100.00%	\$ 2,386,791	\$ 2,044,663	\$ 342,128

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

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Henderson County Employees:			

Net Pension Liability \$ (816,773) \$ (2,045,031) \$ (3,058,850)

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Henderson County Judges, Officials, and Executives:			

Net Pension Liability \$ 612,252 \$ 342,128 \$ 111,459

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

Pension Income. For the year ended June 30, 2015, the Henderson County Employees Plan recognized pension income of \$79,172.

Pension Expense. For the year ended June 30, 2015, the Henderson County Judges, Officials, and Executives Plan recognized pension expense of \$28,120.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, Henderson County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Henderson County Employees:	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 28,256	\$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	687,594
Contributions Subsequent to the Measurement Date of June 30, 2014 (1)	637,801	N/A
Total	<u>\$ 666,057</u>	<u>\$ 687,594</u>

(1) The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2014,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Henderson County Judges, Officials, and Executives:	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 0	\$ 280
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	126,977
Contributions Subsequent to the Measurement Date of June 30, 2014 (1)	<u>70,139</u>	<u>N/A</u>
Total	<u>\$ 70,139</u>	<u>\$ 127,257</u>

(1) The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2014,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Henderson County Employees

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government	\$ 383,420	\$ 312,924
School Department	<u>282,637</u>	<u>374,670</u>
Total	<u>\$ 666,057</u>	<u>\$ 687,594</u>

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

Henderson County Judges, Officials, and Executives

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government	\$ 70,139	\$ 127,257

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

Henderson County Employees

Year Ending June 30	Amount
2016	\$ (167,189)
2017	(167,189)
2018	(167,189)
2019	(167,189)
2020	4,709
Thereafter	4,709

Henderson County Judges,
Officials, and Executives

Year Ending June 30	Amount
2016	\$ (31,814)
2017	(31,814)
2018	(31,814)
2019	(31,815)
2020	0
Thereafter	0

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

Discretely Presented Henderson County School Department

Non-certified Employees

General Information About the Pension Plan

Plan Description. As noted above under the primary government, employees of Henderson County and non-certified employees of the discretely presented Henderson County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 45.51 percent and the non-certified employees of the discretely present School Department comprise 54.49 percent of the plan based on census data.

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

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

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members are eligible to retire 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. Members of the Teachers Retirement Plan are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's 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. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2015, to the Teacher Retirement Plan were \$24,731, which is four percent of pensionable 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. Since the measurement date is June 30, 2014, which is prior to the July 1, 2014, inception of the Teacher Retirement Plan, there is no net pension liability to report at June 30, 2015.

Pension Expense. Since the measurement date is June 30, 2014, the Henderson County School Department did not recognize any pension expense at June 30, 2015.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, the Henderson County School Department reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>Resources</u>	<u>Resources</u>
LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	\$ 24,731	N/A

The Henderson County School Department’s employer contributions of \$24,731 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a reduction of net pension liability in the year ending June 30, 2016.

Teacher Legacy Pension Plan

General Information About the Pension Plan

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

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available to vested members at age 55. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Henderson County School Department for the year ended June 30, 2015, to the Teacher Legacy Pension Plan were \$1,272,283 which is 9.04 percent of pensionable payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension Assets. At June 30, 2015, the Henderson County School Department reported an asset of \$59,749 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Henderson County School Department's proportion of the net pension asset was based on the Henderson County School Department's employer contributions to the pension plan during the year ended June 30, 2014, relative to the contributions of all LEAs for the year ended June 30, 2014. At the June 30, 2014, measurement date, the Henderson County School Department's proportion was .367698 percent. The proportion measured as of June 30, 2013, was .360364 percent.

Pension Income. For the year ended June 30, 2015, the Henderson County School Department recognized a pension income of \$34,002.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, the Henderson County School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 145,056	\$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	4,922,953
Changes in Proportion and Differences Between LEAs Contributions and Proportionate Share of Contributions	103,444	0
LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	<u>1,272,283</u>	<u>N/A</u>
Total	<u>\$ 1,520,783</u>	<u>\$ 4,922,953</u>

The Henderson County School Department's employer contributions of \$1,272,283 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2016	\$ (1,189,322)
2017	(1,189,322)
2018	(1,189,322)
2019	(1,189,322)
2020	41,417
Thereafter	41,418

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, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

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

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

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

Net Pension Liability \$ 10,077,376 \$ (59,749) \$ (8,452,190)

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

G. Other Postemployment Benefits (OPEB)

Plan Description

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

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees’ premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year ended June 30, 2015, Henderson County and the School Department contributed \$5,808 and \$134,752, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 174,000	\$ 8,000
Interest on the NOPEBO	35,071	6,736
Adjustment to the ARC	(34,168)	(6,562)
Annual OPEB cost	<u>\$ 174,903</u>	<u>\$ 8,174</u>
Less: Amount of contribution	(134,752)	(5,808)
Increase/Decrease in NOPEBO	<u>\$ 40,151</u>	<u>\$ 2,366</u>
Net OPEB obligation, 7-1-14	<u>876,784</u>	<u>168,399</u>
Net OPEB obligation, 6-30-15	<u><u>\$ 916,935</u></u>	<u><u>\$ 170,765</u></u>

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-13	Local Education Group	\$ 287,371	42 %	\$ 830,324
6-30-14	"	168,856	72	876,784
6-30-15	"	174,903	77	916,935
6-30-13	Local Government Group	32,674	10	161,667
6-30-14	"	8,167	18	168,399
6-30-15	"	8,174	71	170,765

Funding Status and Funding Progress

The funded status of the plan as of July 1, 2013, was as follows:

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-13	7-1-13
Actuarial accrued liability (AAL)	\$ 1,692,000	\$ 50,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,692,000	\$ 50,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 10,755,223	\$ 4,848,347
UAAL as a % of covered payroll	16%	1%

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

Actuarial Methods and Assumptions

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

In the July 1, 2013, actuarial valuation for the Local Government Group and the Local Education Group plans, the projected unit credit actuarial cost method was used and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of seven percent for fiscal year 2015. The trend will decrease to 6.5 percent in fiscal year 2016 and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. Both rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007.

H. 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 \$10,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

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

	<u>2014</u>
Total Pension Liability (Asset)	
Service Cost	\$ 478,864
Interest	652,941
Differences Between Actual and Expected Experience	32,965
Benefit Payments, Including Refunds of Employee Contributions	<u>(340,827)</u>
Net Change in Total Pension Liability (Asset)	\$ 823,943
Total Pension Liability (Asset), Beginning	<u>8,397,431</u>
 Total Pension Liability (Asset), Ending (a)	 <u>\$ 9,221,374</u>
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 614,892
Contributions - Employee	349,768
Net Investment Income	1,564,166
Benefit Payments, Including Refunds of Employee Contributions	(340,827)
Administrative Expense	<u>(10,654)</u>
Net Change in Plan Fiduciary Net Position	\$ 2,177,345
Plan Fiduciary Net Position, Beginning	<u>9,089,060</u>
 Plan Fiduciary Net Position, Ending (b)	 <u>\$ 11,266,405</u>
 Net Pension Liability (Asset), Ending (a - b)	 <u>\$ (2,045,031)</u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	 122.18%
Covered Employee Payroll	\$ 6,995,362
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	29.23%

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

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

Exhibit E-2

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

	<u>2014</u>
Total Pension Liability (Asset)	
Service Cost	\$ 62,155
Interest	169,073
Differences Between Actual and Expected Experience	(350)
Benefit Payments, Including Refunds of Employee Contributions	<u>(72,479)</u>
Net Change in Total Pension Liability (Asset)	\$ 158,399
Total Pension Liability (Asset), Beginning	<u>2,228,392</u>
 Total Pension Liability (Asset), Ending (a)	 <u>\$ 2,386,791</u>
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 45,045
Contributions - Employee	40,654
Net Investment Income	289,854
Benefit Payments, Including Refunds of Employee Contributions	(72,479)
Administrative Expense	<u>(493)</u>
Net Change in Plan Fiduciary Net Position	\$ 302,581
Plan Fiduciary Net Position, Beginning	<u>1,742,082</u>
 Plan Fiduciary Net Position, Ending (b)	 <u>\$ 2,044,663</u>
 Net Pension Liability (Asset), Ending (a - b)	 <u>\$ 342,128</u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	 85.67%
Covered Employee Payroll	\$ 813,084
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	42.08%

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

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 614,892	\$ 637,801
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(614,892)</u>	<u>(637,801)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 6,995,362	\$ 9,008,416
Contributions as a Percentage of Covered Employee Payroll	8.79%	7.08%

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

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

Exhibit E-4

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

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 45,045	\$ 70,139
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(45,045)</u>	<u>(70,139)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 813,084	\$ 924,985
Contributions as a Percentage of Covered Employee Payroll	5.54%	7.58%

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

Exhibit E-5

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

	<u>2015</u>
Actuarially Determined Contribution	\$ 15,457
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(24,731)</u>
Contribution Deficiency (Excess)	<u>\$ (9,274)</u>
Covered Employee Payroll	\$ 618,275
Contributions as a Percentage of Covered Employee Payroll	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

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 1,281,571	\$ 1,272,283
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(1,281,571)</u>	<u>(1,272,283)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 14,432,166	\$ 14,189,443
Contributions as a Percentage of Covered Employee Payroll	8.88%	8.97%

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 Legacy Pension Plan of TCRS
Discretely Presented Henderson County School Department
For the Fiscal Year Ended June 30 *

	<u>2014</u>
School Department's Proportion of the Net Pension Asset	0.367698%
School Department's Proportionate Share of the Net Pension Asset	\$ 59,749
Covered Employee Payroll	\$ 14,432,166
School Department's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Employee Payroll	0.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%

* 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 Funding Progress – Other Postemployment Benefits Plans
Primary Government and Discretely Presented Henderson County School Department
June 30, 2015

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>PRIMARY GOVERNMENT</u>							
Local Government Group	7-1-10	\$ 0	\$ 290	\$ 290	0 %	\$ 3,947	7 %
"	7-1-11	0	218	218	0	4,632	5
"	7-1-13	0	50	50	0	4,848	1
<u>DISCRETELY PRESENTED HENDERSON COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-10	0	2,111	2,111	0	9,770	22
"	7-1-11	0	2,684	2,684	0	10,756	25
"	7-1-13	0	1,692	1,692	0	10,755	16

HENDERSON COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

Valuation Date: Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013, actuarial valuation.

Methods and assumptions used to determine contribution rates:

Henderson County Employees:

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

(Continued)

Henderson County Judges, Officials, and Executives:

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

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

Exhibit F-1

Henderson County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2015

	Special Revenue Funds			Total
	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Nonmajor Governmental Funds
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 668,212	\$ 668,212
Equity in Pooled Cash and Investments	277,173	86,386	0	363,559
Accounts Receivable	67	0	50,947	51,014
Due from Other Governments	11,833	0	0	11,833
Property Taxes Receivable	461,376	0	0	461,376
Allowance for Uncollectible Property Taxes	(5,040)	0	0	(5,040)
Total Assets	<u>\$ 745,409</u>	<u>\$ 86,386</u>	<u>\$ 719,159</u>	<u>\$ 1,550,954</u>
<u>LIABILITIES</u>				
Due to Other Funds	\$ 0	\$ 0	\$ 264	\$ 264
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 264</u>	<u>\$ 264</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 440,820	\$ 0	\$ 0	\$ 440,820
Deferred Delinquent Property Taxes	14,598	0	0	14,598
Other Deferred/Unavailable Revenue	6,164	0	0	6,164
Total Deferred Inflows of Resources	<u>\$ 461,582</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 461,582</u>
<u>FUND BALANCES</u>				
Restricted:				
Restricted for Public Safety	\$ 0	\$ 86,386	\$ 0	\$ 86,386
Restricted for Public Health and Welfare	79,642	0	0	79,642
Committed:				
Committed for Finance	0	0	326,111	326,111
Committed for Administration of Justice	0	0	392,784	392,784
Committed for Public Health and Welfare	204,185	0	0	204,185
Total Fund Balances	<u>\$ 283,827</u>	<u>\$ 86,386</u>	<u>\$ 718,895</u>	<u>\$ 1,089,108</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 745,409</u>	<u>\$ 86,386</u>	<u>\$ 719,159</u>	<u>\$ 1,550,954</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, 2015

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	
<u>Revenues</u>				
Local Taxes	\$ 532,314	\$ 0	\$ 0	\$ 532,314
Fines, Forfeitures, and Penalties	0	68,265	0	68,265
Charges for Current Services	16,527	0	849,960	866,487
Other Local Revenues	38,502	0	0	38,502
Total Revenues	<u>\$ 587,343</u>	<u>\$ 68,265</u>	<u>\$ 849,960</u>	<u>\$ 1,505,568</u>
<u>Expenditures</u>				
Current:				
Finance	\$ 0	\$ 0	\$ 533,622	\$ 533,622
Administration of Justice	0	0	402,358	402,358
Public Safety	0	77,824	0	77,824
Public Health and Welfare	509,994	0	0	509,994
Total Expenditures	<u>\$ 509,994</u>	<u>\$ 77,824</u>	<u>\$ 935,980</u>	<u>\$ 1,523,798</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 77,349</u>	<u>\$ (9,559)</u>	<u>\$ (86,020)</u>	<u>\$ (18,230)</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 1,024	\$ 0	\$ 0	\$ 1,024
Total Other Financing Sources (Uses)	<u>\$ 1,024</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,024</u>
Net Change in Fund Balances	\$ 78,373	\$ (9,559)	\$ (86,020)	\$ (17,206)
Fund Balance, July 1, 2014	205,454	95,945	804,915	1,106,314
Fund Balance, June 30, 2015	<u>\$ 283,827</u>	<u>\$ 86,386</u>	<u>\$ 718,895</u>	<u>\$ 1,089,108</u>

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 532,314	\$ 474,119	\$ 500,819	\$ 31,495
Charges for Current Services	16,527	0	11,000	5,527
Other Local Revenues	38,502	40,000	43,500	(4,998)
Total Revenues	<u>\$ 587,343</u>	<u>\$ 514,119</u>	<u>\$ 555,319</u>	<u>\$ 32,024</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Education/Information	\$ 509,994	\$ 562,695	\$ 603,895	\$ 93,901
Total Expenditures	<u>\$ 509,994</u>	<u>\$ 562,695</u>	<u>\$ 603,895</u>	<u>\$ 93,901</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 77,349</u>	<u>\$ (48,576)</u>	<u>\$ (48,576)</u>	<u>\$ 125,925</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 1,024	\$ 0	\$ 0	\$ 1,024
Total Other Financing Sources	<u>\$ 1,024</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,024</u>
Net Change in Fund Balance	\$ 78,373	\$ (48,576)	\$ (48,576)	\$ 126,949
Fund Balance, July 1, 2014	<u>205,454</u>	<u>130,000</u>	<u>130,000</u>	<u>75,454</u>
Fund Balance, June 30, 2015	<u>\$ 283,827</u>	<u>\$ 81,424</u>	<u>\$ 81,424</u>	<u>\$ 202,403</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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 68,265	\$ 55,000	\$ 85,100	\$ (16,835)
Total Revenues	\$ 68,265	\$ 55,000	\$ 85,100	\$ (16,835)
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 77,824	\$ 53,000	\$ 83,100	\$ 5,276
Total Expenditures	\$ 77,824	\$ 53,000	\$ 83,100	\$ 5,276
Excess (Deficiency) of Revenues Over Expenditures	\$ (9,559)	\$ 2,000	\$ 2,000	\$ (11,559)
Net Change in Fund Balance	\$ (9,559)	\$ 2,000	\$ 2,000	\$ (11,559)
Fund Balance, July 1, 2014	95,945	95,706	95,706	239
Fund Balance, June 30, 2015	\$ 86,386	\$ 97,706	\$ 97,706	\$ (11,320)

Major Governmental Funds

Debt Service Funds

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

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.

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 G-1

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,047,003	\$ 1,980,325	\$ 1,980,325	\$ 66,678
Other Local Revenues	51,520	50,000	50,000	1,520
Other Governments and Citizens Groups	104,268	0	104,268	0
Total Revenues	\$ 2,202,791	\$ 2,030,325	\$ 2,134,593	\$ 68,198
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 75,000	\$ 120,000	\$ 87,683	\$ 12,683
Education	1,686,444	1,685,000	1,764,318	77,874
<u>Interest on Debt</u>				
General Government	609,825	617,000	616,649	6,824
Education	316,456	320,000	341,576	25,120
<u>Other Debt Service</u>				
General Government	178,842	0	178,842	0
Education	39,142	0	39,598	456
Total Expenditures	\$ 2,905,709	\$ 2,742,000	\$ 3,028,666	\$ 122,957
Excess (Deficiency) of Revenues Over Expenditures	\$ (702,918)	\$ (711,675)	\$ (894,073)	\$ 191,155
<u>Other Financing Sources (Uses)</u>				
Refunding Debt Issued	\$ 9,300,000	\$ 0	\$ 9,300,000	\$ 0
Premiums on Debt Issued	226,088	0	226,088	0
Payments to Refunded Debt Escrow Agent	(9,343,690)	0	(9,343,690)	0
Total Other Financing Sources	\$ 182,398	\$ 0	\$ 182,398	\$ 0
Net Change in Fund Balance	\$ (520,520)	\$ (711,675)	\$ (711,675)	\$ 191,155
Fund Balance, July 1, 2014	3,253,063	2,409,090	2,409,090	843,973
Fund Balance, June 30, 2015	\$ 2,732,543	\$ 1,697,415	\$ 1,697,415	\$ 1,035,128

Exhibit G-2

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 552,449	\$ 400,000	\$ 400,000	\$ 152,449
Other Local Revenues	5,729	5,000	5,000	729
Other Governments and Citizens Groups	550,000	0	550,002	(2)
Total Revenues	<u>\$ 1,108,178</u>	<u>\$ 405,000</u>	<u>\$ 955,002</u>	<u>\$ 153,176</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 1,580,000	\$ 1,037,000	\$ 1,580,000	\$ 0
<u>Interest on Debt</u>				
Education	180,615	181,615	180,615	0
<u>Other Debt Service</u>				
Education	6,598	0	8,002	1,404
Total Expenditures	<u>\$ 1,767,213</u>	<u>\$ 1,218,615</u>	<u>\$ 1,768,617</u>	<u>\$ 1,404</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (659,035)</u>	<u>\$ (813,615)</u>	<u>\$ (813,615)</u>	<u>\$ 154,580</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 1,210,615	\$ 1,210,615	\$ (1,210,615)
Total Other Financing Sources	<u>\$ 0</u>	<u>\$ 1,210,615</u>	<u>\$ 1,210,615</u>	<u>\$ (1,210,615)</u>
Net Change in Fund Balance	\$ (659,035)	\$ 397,000	\$ 397,000	\$ (1,056,035)
Fund Balance, July 1, 2014	<u>1,378,618</u>	<u>650,834</u>	<u>650,834</u>	<u>727,784</u>
Fund Balance, June 30, 2015	<u>\$ 719,583</u>	<u>\$ 1,047,834</u>	<u>\$ 1,047,834</u>	<u>\$ (328,251)</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, 2015

	Agency Funds			Total
	Cities - Sales Tax	City School ADA - Lexington	Constitu- tional Officers - Agency	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 1,511,091	\$ 1,511,091
Equity in Pooled Cash and Investments	0	80,996	0	80,996
Accounts Receivable	0	70	6,758	6,828
Due from Other Governments	600,159	131,802	0	731,961
Taxes Receivable	0	482,461	0	482,461
Allowance for Uncollectible Taxes	0	(5,270)	0	(5,270)
Total Assets	<u>\$ 600,159</u>	<u>\$ 690,059</u>	<u>\$ 1,517,849</u>	<u>\$ 2,808,067</u>
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 600,159	\$ 690,059	\$ 0	\$ 1,290,218
Due to Litigants, Heirs, and Others	0	0	1,517,849	1,517,849
Total Liabilities	<u>\$ 600,159</u>	<u>\$ 690,059</u>	<u>\$ 1,517,849</u>	<u>\$ 2,808,067</u>

Exhibit H-2

Henderson County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2015

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 3,319,229	\$ 3,319,229	\$ 0
Due from Other Governments	542,820	600,159	542,820	600,159
Total Assets	\$ 542,820	\$ 3,919,388	\$ 3,862,049	\$ 600,159
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 542,820	\$ 3,919,388	\$ 3,862,049	\$ 600,159
Total Liabilities	\$ 542,820	\$ 3,919,388	\$ 3,862,049	\$ 600,159
<u>City School ADA - Lexington Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 6,743	\$ 1,309,083	\$ 1,234,830	\$ 80,996
Accounts Receivable	145	70	145	70
Due from Other Governments	129,645	131,802	129,645	131,802
Taxes Receivable	464,198	482,461	464,198	482,461
Allowance for Uncollectible Taxes	(7,410)	(5,270)	(7,410)	(5,270)
Total Assets	\$ 593,321	\$ 1,918,146	\$ 1,821,408	\$ 690,059
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 593,321	\$ 1,918,146	\$ 1,821,408	\$ 690,059
Total Liabilities	\$ 593,321	\$ 1,918,146	\$ 1,821,408	\$ 690,059
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,503,937	\$ 7,464,442	\$ 7,457,288	\$ 1,511,091
Accounts Receivable	4,618	6,758	4,618	6,758
Total Assets	\$ 1,508,555	\$ 7,471,200	\$ 7,461,906	\$ 1,517,849
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,508,555	\$ 7,471,200	\$ 7,461,906	\$ 1,517,849
Total Liabilities	\$ 1,508,555	\$ 7,471,200	\$ 7,461,906	\$ 1,517,849
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,503,937	\$ 7,464,442	\$ 7,457,288	\$ 1,511,091
Equity in Pooled Cash and Investments	6,743	4,628,312	4,554,059	80,996
Accounts Receivable	4,763	6,828	4,763	6,828
Due from Other Governments	672,465	731,961	672,465	731,961
Taxes Receivable	464,198	482,461	464,198	482,461
Allowance for Uncollectible Taxes	(7,410)	(5,270)	(7,410)	(5,270)
Total Assets	\$ 2,644,696	\$ 13,308,734	\$ 13,145,363	\$ 2,808,067
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,136,141	\$ 5,837,534	\$ 5,683,457	\$ 1,290,218
Due to Litigants, Heirs, and Others	1,508,555	7,471,200	7,461,906	1,517,849
Total Liabilities	\$ 2,644,696	\$ 13,308,734	\$ 13,145,363	\$ 2,808,067

Henderson County School Department

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

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

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

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

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

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

Exhibit I-1

Henderson County, Tennessee
Statement of Activities
Discretely Presented Henderson County School Department
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position Total Governmental Activities
Governmental Activities:					
Instruction	\$ 17,619,690	\$ 5,275	\$ 1,635,424	\$ 0	\$ (15,978,991)
Support Services	9,879,221	299,681	464,314	107,719	(9,007,507)
Operation of Non-instructional Services	2,858,725	579,991	2,075,269	0	(203,465)
Total Governmental Activities	\$ 30,357,636	\$ 884,947	\$ 4,175,007	\$ 107,719	\$ (25,189,963)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 3,063,003
Local Option Sales Taxes					2,728,215
Wheel Tax					365,152
Other Local Taxes					4,790
Grants and Contributions Not Restricted to Specific Programs					20,963,251
Unrestricted Investment Income					5,716
Miscellaneous					38,109
Pension Income					77,143
Total General Revenues					\$ 27,245,379
Change in Net Position					\$ 2,055,416
Net Position, July 1, 2014					28,519,977
Restatement - Pension Liability (See Note I.D.8)					(3,936,783)
Net Position, June 30, 2015					\$ 26,638,610

Exhibit I-2

Henderson County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Henderson County School Department
June 30, 2015

	<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	\$ 8,192,679	\$ 299,054	\$ 1,279,566	\$ 9,771,299
Accounts Receivable	0	142	0	142
Due from Other Governments	572,726	0	36,533	609,259
Property Taxes Receivable	2,108,793	985,666	0	3,094,459
Allowance for Uncollectible Property Taxes	(23,038)	(10,768)	0	(33,806)
Total Assets	\$ 10,851,160	\$ 1,274,094	\$ 1,316,099	\$ 13,441,353
<u>LIABILITIES</u>				
Accounts Payable	\$ 427	\$ 0	\$ 0	\$ 427
Payroll Deductions Payable	438,215	0	0	438,215
Contracts Payable	0	0	95,143	95,143
Retainage Payable	0	0	86,068	86,068
Total Liabilities	\$ 438,642	\$ 0	\$ 181,211	\$ 619,853
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 2,014,837	\$ 941,751	\$ 0	\$ 2,956,588
Deferred Delinquent Property Taxes	67,502	31,184	0	98,686
Other Deferred/Unavailable Revenue	295,825	0	0	295,825
Total Deferred Inflows of Resources	\$ 2,378,164	\$ 972,935	\$ 0	\$ 3,351,099
<u>FUND BALANCES</u>				
Restricted:				
Restricted for Education	\$ 23,037	\$ 196,844	\$ 0	\$ 219,881
Restricted for Operation of Non-instructional Services	0	0	732,817	732,817
Restricted for Capital Outlay	0	0	2,071	2,071
Committed:				
Committed for Education	0	104,315	0	104,315
Assigned:				
Assigned for Education	22,118	0	400,000	422,118
Unassigned	7,989,199	0	0	7,989,199
Total Fund Balances	\$ 8,034,354	\$ 301,159	\$ 1,134,888	\$ 9,470,401
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 10,851,160	\$ 1,274,094	\$ 1,316,099	\$ 13,441,353

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, 2015

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)		\$ 9,470,401
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 1,151,661	
Add: construction in progress	3,155,830	
Add: buildings and improvements net of accumulated depreciation	16,483,701	
Add: infrastructure net of accumulated depreciation	84,251	
Add: other capital assets net of accumulated depreciation	<u>629,958</u>	21,505,401
(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	\$ (1,519,382)	
Less: other postemployment benefits liability	<u>(916,935)</u>	(2,436,317)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as a component of pension expense in future years.		
Add: deferred outflows of resources related to pensions	\$ 1,828,151	
Less: deferred inflows of resources related to pensions	<u>(5,297,623)</u>	(3,469,472)
(4) Net pension assets are not current financial resources and therefore are not reported in the governmental funds.		
Add: net pension asset - agent plan	\$ 1,114,337	
Add: net pension asset - cost-sharing plan	<u>59,749</u>	1,174,086
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>394,511</u>
Net position of governmental activities (Exhibit A)		<u>\$ 26,638,610</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, 2015

	<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>Governmental</u>	<u>Funds</u>
			<u>Funds</u>	<u>Funds</u>
<u>Revenues</u>				
Local Taxes	\$ 5,162,424	\$ 984,076	\$ 0	\$ 6,146,500
Licenses and Permits	2,112	0	0	2,112
Charges for Current Services	296,825	0	579,391	876,216
Other Local Revenues	64,470	2,391	19,158	86,019
State of Tennessee	21,234,662	0	0	21,234,662
Federal Government	343,569	0	3,444,693	3,788,262
Total Revenues	\$ 27,104,062	\$ 986,467	\$ 4,043,242	\$ 32,133,771
<u>Expenditures</u>				
Current:				
Instruction	\$ 17,250,585	\$ 0	\$ 1,208,217	\$ 18,458,802
Support Services	7,876,491	1,067,714	710,057	9,654,262
Operation of Non-instructional Services	595,105	0	2,246,297	2,841,402
Capital Outlay	594,999	0	0	594,999
Debt Service:				
Other Debt Service	654,268	0	0	654,268
Capital Projects	0	0	3,175,261	3,175,261
Total Expenditures	\$ 26,971,448	\$ 1,067,714	\$ 7,339,832	\$ 35,378,994
Excess (Deficiency) of Revenues Over Expenditures	\$ 132,614	\$ (81,247)	\$ (3,296,590)	\$ (3,245,223)
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 10,591	\$ 0	\$ 0	\$ 10,591
Transfers In	6,967	0	384,531	391,498
Transfers Out	(384,531)	0	(6,967)	(391,498)
Total Other Financing Sources (Uses)	\$ (366,973)	\$ 0	\$ 377,564	\$ 10,591
Net Change in Fund Balances	\$ (234,359)	\$ (81,247)	\$ (2,919,026)	\$ (3,234,632)
Fund Balance, July 1, 2014	8,268,713	382,406	4,053,914	12,705,033
Fund Balance, June 30, 2015	\$ 8,034,354	\$ 301,159	\$ 1,134,888	\$ 9,470,401

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, 2015

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)		\$ (3,234,632)
(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	\$ 4,904,468	
Less: current-year depreciation expense	<u>(1,499,248)</u>	3,405,220
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net position.		
Add: assets donated and capitalized		107,719
(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, 2015	\$ 394,511	
Less: deferred delinquent property taxes and other deferred June 30, 2014	<u>(300,092)</u>	94,419
(4) 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 the other loan to primary government		81,444
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in other postemployment benefits liability	\$ (40,151)	
Change in net pension asset - agent plan	402,414	
Change in net pension asset - cost-sharing plan	4,708,455	
Change in deferred outflows related to pensions	1,828,151	
Change in deferred inflows related to pensions	<u>(5,297,623)</u>	<u>1,601,246</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ 2,055,416</u>

Exhibit I-6

Henderson County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Henderson County School Department
June 30, 2015

	<u>Special Revenue Funds</u>			<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>School Federal Projects</u>	<u>Central Cafeteria</u>	<u>Total</u>	<u>Education Capital Projects</u>	
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 363,467	\$ 732,817	\$ 1,096,284	\$ 183,282	\$ 1,279,566
Due from Other Governments	36,533	0	36,533	0	36,533
Total Assets	<u>\$ 400,000</u>	<u>\$ 732,817</u>	<u>\$ 1,132,817</u>	<u>\$ 183,282</u>	<u>\$ 1,316,099</u>
<u>LIABILITIES</u>					
Contracts Payable	\$ 0	\$ 0	\$ 0	\$ 95,143	\$ 95,143
Retainage Payable	0	0	0	86,068	86,068
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 181,211</u>	<u>\$ 181,211</u>
<u>FUND BALANCES</u>					
Restricted:					
Restricted for Operation of Non-instructional Services	\$ 0	\$ 732,817	\$ 732,817	\$ 0	\$ 732,817
Restricted for Capital Outlay	0	0	0	2,071	2,071
Assigned:					
Assigned for Education	400,000	0	400,000	0	400,000
Total Fund Balances	<u>\$ 400,000</u>	<u>\$ 732,817</u>	<u>\$ 1,132,817</u>	<u>\$ 2,071</u>	<u>\$ 1,134,888</u>
Total Liabilities and Fund Balances	<u>\$ 400,000</u>	<u>\$ 732,817</u>	<u>\$ 1,132,817</u>	<u>\$ 183,282</u>	<u>\$ 1,316,099</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, 2015

	<u>Special Revenue Funds</u>			<u>Capital</u>	<u>Total</u>
	<u>School</u>	<u>Central</u>	<u>Total</u>	<u>Projects</u>	
	<u>Federal</u>	<u>Cafeteria</u>		<u>Education</u>	<u>Nonmajor</u>
	<u>Projects</u>			<u>Capital</u>	<u>Governmental</u>
				<u>Projects</u>	<u>Funds</u>
<u>Revenues</u>					
Charges for Current Services	\$ 0	\$ 579,391	\$ 579,391	\$ 0	\$ 579,391
Other Local Revenues	0	12,411	12,411	6,747	19,158
Federal Government	1,896,711	1,547,982	3,444,693	0	3,444,693
Total Revenues	\$ 1,896,711	\$ 2,139,784	\$ 4,036,495	\$ 6,747	\$ 4,043,242
<u>Expenditures</u>					
Current:					
Instruction	\$ 1,208,217	\$ 0	\$ 1,208,217	\$ 0	\$ 1,208,217
Support Services	710,057	0	710,057	0	710,057
Operation of Non-instructional Services	0	2,246,297	2,246,297	0	2,246,297
Capital Projects	0	0	0	3,175,261	3,175,261
Total Expenditures	\$ 1,918,274	\$ 2,246,297	\$ 4,164,571	\$ 3,175,261	\$ 7,339,832
Excess (Deficiency) of Revenues Over Expenditures	\$ (21,563)	\$ (106,513)	\$ (128,076)	\$ (3,168,514)	\$ (3,296,590)
<u>Other Financing Sources (Uses)</u>					
Transfers In	\$ 0	\$ 0	\$ 0	\$ 384,531	\$ 384,531
Transfers Out	(6,967)	0	(6,967)	0	(6,967)
Total Other Financing Sources (Uses)	\$ (6,967)	\$ 0	\$ (6,967)	\$ 384,531	\$ 377,564
Net Change in Fund Balances	\$ (28,530)	\$ (106,513)	\$ (135,043)	\$ (2,783,983)	\$ (2,919,026)
Fund Balance, July 1, 2014	428,530	839,330	1,267,860	2,786,054	4,053,914
Fund Balance, June 30, 2015	\$ 400,000	\$ 732,817	\$ 1,132,817	\$ 2,071	\$ 1,134,888

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, 2015

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 5,162,424	\$ 0	\$ 5,162,424	\$ 5,045,500	\$ 5,045,500	\$ 116,924
Licenses and Permits	2,112	0	2,112	0	0	2,112
Charges for Current Services	296,825	0	296,825	329,000	329,000	(32,175)
Other Local Revenues	64,470	0	64,470	324,000	324,000	(259,530)
State of Tennessee	21,234,662	0	21,234,662	20,848,285	20,968,225	266,437
Federal Government	343,569	0	343,569	329,987	348,987	(5,418)
Total Revenues	\$ 27,104,062	\$ 0	\$ 27,104,062	\$ 26,876,772	\$ 27,015,712	\$ 88,350
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 13,666,926	\$ 22,118	\$ 13,689,044	\$ 14,131,000	\$ 14,451,850	\$ 762,806
Alternative Instruction Program	33,843	0	33,843	43,050	43,050	9,207
Special Education Program	2,331,957	0	2,331,957	2,408,500	2,399,500	67,543
Vocational Education Program	1,115,201	0	1,115,201	1,235,450	1,235,450	120,249
Adult Education Program	102,658	0	102,658	95,200	114,200	11,542
<u>Support Services</u>						
Attendance	85,446	0	85,446	102,125	102,125	16,679
Health Services	390,876	0	390,876	364,750	396,150	5,274
Other Student Support	774,793	0	774,793	758,300	806,800	32,007
Regular Instruction Program	1,319,690	0	1,319,690	1,525,000	1,469,000	149,310
Alternative Instruction Program	66,426	0	66,426	77,250	77,250	10,824
Special Education Program	269,544	0	269,544	270,352	289,052	19,508
Vocational Education Program	101,787	0	101,787	104,550	107,700	5,913
Adult Programs	96,990	0	96,990	105,700	98,800	1,810
Other Programs	177,206	0	177,206	66,487	186,427	9,221
Board of Education	435,968	0	435,968	630,310	593,548	157,580

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Support Services (Cont.)</u>						
Director of Schools	\$ 174,473	\$ 0	\$ 174,473	\$ 214,200	\$ 214,200	\$ 39,727
Office of the Principal	1,072,451	0	1,072,451	1,174,250	1,172,450	99,999
Fiscal Services	247,418	0	247,418	263,300	259,000	11,582
Operation of Plant	1,978,078	0	1,978,078	2,330,600	2,366,600	388,522
Maintenance of Plant	504,018	0	504,018	572,500	564,500	60,482
Transportation	181,327	0	181,327	261,750	201,250	19,923
<u>Operation of Non-instructional Services</u>						
Food Service	89,821	0	89,821	89,575	95,575	5,754
Early Childhood Education	505,284	0	505,284	505,285	505,286	2
<u>Capital Outlay</u>						
Regular Capital Outlay	594,999	0	594,999	1,300,000	633,662	38,663
<u>Principal on Debt</u>						
Education	0	0	0	90,000	0	0
<u>Interest on Debt</u>						
Education	0	0	0	200,000	0	0
<u>Other Debt Service</u>						
Education	654,268	0	654,268	375,000	665,000	10,732
Total Expenditures	\$ 26,971,448	\$ 22,118	\$ 26,993,566	\$ 29,294,484	\$ 29,048,425	\$ 2,054,859
Excess (Deficiency) of Revenues						
Over Expenditures	\$ 132,614	\$ (22,118)	\$ 110,496	\$ (2,417,712)	\$ (2,032,713)	\$ 2,143,209
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 10,591	\$ 0	\$ 10,591	\$ 0	\$ 0	\$ 10,591

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Other Financing Sources (Uses) (Cont.)</u>						
Transfers In	\$ 6,967	\$ 0	\$ 6,967	\$ 0	\$ 0	\$ 6,967
Transfers Out	(384,531)	0	(384,531)	0	(385,000)	469
Total Other Financing Sources	\$ (366,973)	\$ 0	\$ (366,973)	\$ 0	\$ (385,000)	\$ 18,027
Net Change in Fund Balance	\$ (234,359)	\$ (22,118)	\$ (256,477)	\$ (2,417,712)	\$ (2,417,713)	\$ 2,161,236
Fund Balance, July 1, 2014	8,268,713	0	8,268,713	6,563,500	6,563,500	1,705,213
Fund Balance, June 30, 2015	\$ 8,034,354	\$ (22,118)	\$ 8,012,236	\$ 4,145,788	\$ 4,145,787	\$ 3,866,449

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
State of Tennessee	\$ 0	\$ 212,500	\$ 0	\$ 0
Federal Government	1,896,711	1,895,611	2,020,236	(123,525)
Total Revenues	\$ 1,896,711	\$ 2,108,111	\$ 2,020,236	\$ (123,525)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 593,613	\$ 610,271	\$ 610,271	\$ 16,658
Special Education Program	558,765	565,006	558,765	0
Vocational Education Program	55,839	45,839	55,839	0
<u>Support Services</u>				
Health Services	0	90,000	90,000	90,000
Other Student Support	124,211	137,944	127,944	3,733
Regular Instruction Program	313,282	387,847	387,848	74,566
Special Education Program	94,423	94,423	94,423	0
Transportation	178,141	169,710	178,078	(63)
Total Expenditures	\$ 1,918,274	\$ 2,101,040	\$ 2,103,168	\$ 184,894
Excess (Deficiency) of Revenues Over Expenditures	\$ (21,563)	\$ 7,071	\$ (82,932)	\$ 61,369
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (6,967)	\$ (7,070)	\$ (7,070)	\$ 103
Total Other Financing Sources	\$ (6,967)	\$ (7,070)	\$ (7,070)	\$ 103
Net Change in Fund Balance	\$ (28,530)	\$ 1	\$ (90,002)	\$ 61,472
Fund Balance, July 1, 2014	428,530	415,515	415,515	13,015
Fund Balance, June 30, 2015	\$ 400,000	\$ 415,516	\$ 325,513	\$ 74,487

Exhibit I-10

Henderson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Henderson County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2015

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 579,391	\$ 0	\$ 579,391	\$ 782,000	\$ 782,000	\$ (202,609)
Other Local Revenues	12,411	0	12,411	0	0	12,411
Federal Government	1,547,982	0	1,547,982	1,338,500	1,338,500	209,482
Total Revenues	<u>\$ 2,139,784</u>	<u>\$ 0</u>	<u>\$ 2,139,784</u>	<u>\$ 2,120,500</u>	<u>\$ 2,120,500</u>	<u>\$ 19,284</u>
<u>Expenditures</u>						
<u>Operation of Non-instructional Services</u>						
Food Service	\$ 2,246,297	\$ 131,813	\$ 2,378,110	\$ 2,120,500	\$ 2,408,400	\$ 30,290
Total Expenditures	<u>\$ 2,246,297</u>	<u>\$ 131,813</u>	<u>\$ 2,378,110</u>	<u>\$ 2,120,500</u>	<u>\$ 2,408,400</u>	<u>\$ 30,290</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (106,513)</u>	<u>\$ (131,813)</u>	<u>\$ (238,326)</u>	<u>\$ 0</u>	<u>\$ (287,900)</u>	<u>\$ 49,574</u>
Net Change in Fund Balance	\$ (106,513)	\$ (131,813)	\$ (238,326)	\$ 0	\$ (287,900)	\$ 49,574
Fund Balance, July 1, 2014	839,330	0	839,330	757,000	757,000	82,330
Fund Balance, June 30, 2015	<u>\$ 732,817</u>	<u>\$ (131,813)</u>	<u>\$ 601,004</u>	<u>\$ 757,000</u>	<u>\$ 469,100</u>	<u>\$ 131,904</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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 984,076	\$ 932,596	\$ 932,596	\$ 51,480
Other Local Revenues	2,391	0	0	2,391
Total Revenues	<u>\$ 986,467</u>	<u>\$ 932,596</u>	<u>\$ 932,596</u>	<u>\$ 53,871</u>
<u>Expenditures</u>				
<u>Support Services</u>				
Board of Education	\$ 19,475	\$ 25,000	\$ 25,000	\$ 5,525
Transportation	1,048,239	1,124,600	1,124,600	76,361
Total Expenditures	<u>\$ 1,067,714</u>	<u>\$ 1,149,600</u>	<u>\$ 1,149,600</u>	<u>\$ 81,886</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (81,247)</u>	<u>\$ (217,004)</u>	<u>\$ (217,004)</u>	<u>\$ 135,757</u>
Net Change in Fund Balance	\$ (81,247)	\$ (217,004)	\$ (217,004)	\$ 135,757
Fund Balance, July 1, 2014	<u>382,406</u>	<u>388,000</u>	<u>388,000</u>	<u>(5,594)</u>
Fund Balance, June 30, 2015	<u>\$ 301,159</u>	<u>\$ 170,996</u>	<u>\$ 170,996</u>	<u>\$ 130,163</u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

Henderson County, Tennessee
Schedule of Changes in Long-term Note, Other Loan, and Bonds
For the Year Ended June 30, 2015

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-14	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-15
<u>NOTE PAYABLE</u>									
<u>Payable through General Fund</u>									
Capital Outlay Note, Series 2010	\$ 405,000	3 %	8-27-10	4-1-18	\$ 275,000	\$ 0	\$ 65,000	\$ 0	\$ 210,000
Total Note Payable					\$ 275,000	\$ 0	\$ 65,000	\$ 0	\$ 210,000
<u>OTHER LOAN PAYABLE</u>									
<u>Payable by School Department Contributions to the General Debt Service Fund</u>									
Clean Water State Revolving Fund	1,800,582	1.38	7-31-10	12-31-31	\$ 1,600,826	\$ 0	\$ 81,444	\$ 0	\$ 1,519,382
Total Other Loan Payable					\$ 1,600,826	\$ 0	\$ 81,444	\$ 0	\$ 1,519,382
<u>BONDS PAYABLE</u>									
<u>Payable through General Debt Service Fund</u>									
High School Refunding Bonds, Series 2001	8,150,000	3.5 to 5	10-11-01	4-1-17	\$ 3,080,000	\$ 0	\$ 950,000	\$ 0	\$ 2,130,000
High School Refunding Bonds, Series 2004	2,840,000	2 to 3.875	4-1-04	6-10-15	2,220,000	0	200,000	2,020,000	0
G.O. Bonds, Series 2008	9,500,000	3.75 to 4.75	12-11-08	4-1-21	9,250,000	0	50,000	6,600,000	2,600,000
G.O. Bonds, Series 2009	5,400,000	1.75 to 4.15	11-10-09	4-1-29	5,275,000	0	25,000	0	5,250,000
G.O. Refunding Bonds, Series 2012	4,035,000	1 to 2.5	7-12-12	4-1-24	3,295,000	0	455,000	0	2,840,000
G.O. Refunding Bonds, Series 2015	9,300,000	2 to 3	6-10-15	4-1-29	0	9,300,000	0	0	9,300,000
Total Payable through General Debt Service Fund					\$ 23,120,000	\$ 9,300,000	\$ 1,680,000	\$ 8,620,000	\$ 22,120,000
<u>Payable through Rural Debt Service Fund</u>									
Rural School Refunding Bonds, Series 2004	2,140,000	2 to 3.6	4-1-04	3-9-15	\$ 810,000	\$ 0	\$ 810,000	\$ 0	\$ 0
School Refunding Bonds, Series 2009	2,815,000	2 to 3	11-10-09	6-30-16	760,000	0	485,000	0	275,000
Rural School Bonds, Series 2013	5,000,000	2 to 3.75	8-1-13	4-1-29	4,725,000	0	285,000	0	4,440,000
Total Payable through Rural Debt Service Fund					\$ 6,295,000	\$ 0	\$ 1,580,000	\$ 0	\$ 4,715,000
Total Bonds Payable					\$ 29,415,000	\$ 9,300,000	\$ 3,260,000	\$ 8,620,000	\$ 26,835,000

Exhibit J-2

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

Year Ending June 30	Note		
	Principal	Interest	Total
2016	\$ 70,000	\$ 6,300	\$ 76,300
2017	70,000	4,200	74,200
2018	70,000	2,100	72,100
Total	\$ 210,000	\$ 12,600	\$ 222,600

Year Ending June 30	Other Loan			
	Principal	Interest	Other Fees	Total
2016	\$ 82,572	\$ 20,448	\$ 1,212	\$ 104,232
2017	83,724	19,296	1,152	104,172
2018	84,876	18,144	1,080	104,100
2019	86,064	16,956	1,020	104,040
2020	87,252	15,768	948	103,968
2021	88,464	14,556	876	103,896
2022	89,700	13,320	804	103,824
2023	90,948	12,072	732	103,752
2024	92,208	10,812	660	103,680
2025	93,480	9,540	588	103,608
2026	94,788	8,232	516	103,536
2027	96,096	6,924	432	103,452
2028	97,440	5,580	360	103,380
2029	98,784	4,236	276	103,296
2030	100,164	2,856	204	103,224
2031	101,556	1,464	120	103,140
2032	51,266	135	16	51,417
Total	\$ 1,519,382	\$ 180,339	\$ 10,996	\$ 1,710,717

Year Ending June 30	Bonds		
	Principal	Interest	Total
2016	\$ 2,460,000	\$ 788,946	\$ 3,248,946
2017	2,200,000	750,048	2,950,048
2018	1,945,000	667,924	2,612,924
2019	2,110,000	608,398	2,718,398
2020	2,095,000	543,674	2,638,674
2021	1,835,000	477,573	2,312,573
2022	1,995,000	413,586	2,408,586
2023	1,990,000	362,112	2,352,112
2024	1,990,000	310,039	2,300,039
2025	1,660,000	256,413	1,916,413
2026	1,650,000	207,738	1,857,738
2027	1,645,000	158,950	1,803,950
2028	1,635,000	107,014	1,742,014
2029	1,625,000	54,988	1,679,988
Total	\$ 26,835,000	\$ 5,707,403	\$ 32,542,403

Exhibit J-3

Henderson County, Tennessee
Schedule of Transfers
Discretely Presented Henderson County School Department
For the Year Ended June 30, 2015

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Purpose School	Education Capital Projects	Capital outlay	\$ 384,531
School Federal Projects	General Purpose School	Indirect costs	<u>6,967</u>
Total Transfers Discretely Presented Henderson County School Department			<u><u>\$ 391,498</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, 2015

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <i>TCA</i>	\$ 78,358	\$ 100,000	State Automobile Mutual Insurance Company
Road Supervisor	Section 8-24-102, <i>TCA</i>	74,628	100,000	Western Surety Company
Director of Schools	State Board of Education and County Board of Education	106,000 (1)	50,000	"
Trustee	Section 8-24-102, <i>TCA</i> , and County Commission	69,343 (2)	950,000	Auto-Owners Insurance Company
Assessor of Property	Section 8-24-102, <i>TCA</i>	67,843	50,000	Western Surety Company
Director of Finance	County Commission	69,342 (2)	100,000	State Automobile Mutual Insurance Company
County Clerk	Section 8-24-102, <i>TCA</i> , and County Commission	69,343 (2)	100,000	"
Circuit, General Sessions, and Juvenile Courts Clerk	Section 8-24-102, <i>TCA</i> , and County Commission	76,127 (2,3)	200,000	"
Clerk and Master	Section 8-24-102, <i>TCA</i> , and County Commission	76,127 (2,3,4)	100,000	"
Register of Deeds	Section 8-24-102, <i>TCA</i>	69,343 (2)	100,000	"
Sheriff	Section 8-24-102, <i>TCA</i>	74,628 (5)	100,000	"
Employee Blanket Bonds:				
County Departments and Highway Department			150,000	Tennessee Risk Management Trust
School Department			150,000	"

- (1) Includes additional compensation of \$1,000 for the career ladder program.
- (2) Includes a certified public administrator supplement of \$1,500.
- (3) Includes additional compensation of \$6,784 for multiple courts.
- (4) Does not include special commissioner fees of \$5,810.
- (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, 2015

	Special Revenue Funds					Debt Service Funds
	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	\$ 4,111,424	\$ 424,911	\$ 0	\$ 0	\$ 220,185	\$ 1,058,423
Trustee's Collections - Prior Year	171,182	17,828	0	0	9,043	44,019
Circuit/Clerk and Master Collections - Prior Years	37,483	3,717	0	0	1,975	9,492
Interest and Penalty	30,899	3,298	0	0	1,630	7,880
Payments in-Lieu-of Taxes - Local Utilities	74,214	7,545	0	0	3,910	18,794
<u>County Local Option Taxes</u>						
Local Option Sales Tax	71,297	71,297	0	0	0	0
Hotel/Motel Tax	52,700	0	0	0	0	0
Wheel Tax	0	0	0	0	0	899,133
Litigation Tax - General	175,412	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	65,072	0	0	0	0	0
Business Tax	263,812	0	0	0	0	0
Mixed Drink Tax	3,178	0	0	0	0	0
<u>Statutory Local Taxes</u>						
Bank Excise Tax	36,574	3,718	0	0	1,927	9,262
Wholesale Beer Tax	84,763	0	0	0	0	0
Interstate Telecommunications Tax	1,523	0	0	0	0	0
Total Local Taxes	\$ 5,179,533	\$ 532,314	\$ 0	\$ 0	\$ 238,670	\$ 2,047,003
<u>Licenses and Permits</u>						
<u>Permits</u>						
Beer Permits	\$ 950	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Licenses and Permits	\$ 950	\$ 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	General Debt Service
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 23,884	\$ 0	\$ 0	\$ 0	\$ 0	0
Officers Costs	1,497	0	0	0	0	0
Drug Control Fines	10,331	0	6,393	0	0	0
DUI Treatment Fines	570	0	0	0	0	0
Data Entry Fee - Circuit Court	17,400	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	103,116	0	0	0	0	0
Officers Costs	53,522	0	0	0	0	0
Game and Fish Fines	487	0	0	0	0	0
Drug Control Fines	7,845	0	9,055	0	0	0
Drug Court Fees	7,334	0	0	0	0	0
Jail Fees	58,558	0	0	0	0	0
DUI Treatment Fines	10,640	0	0	0	0	0
<u>Juvenile Court</u>						
Fines	1,511	0	0	0	0	0
<u>Chancery Court</u>						
Officers Costs	210	0	0	0	0	0
Data Entry Fee - Chancery Court	2,506	0	0	0	0	0
<u>Judicial District Drug Program</u>						
Drug Task Force Forfeitures and Seizures	0	0	52,817	0	0	0
Courtroom Security Fee	161,329	0	0	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 460,740	\$ 0	\$ 68,265	\$ 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	\$ 16,527	\$ 0	\$ 0	\$ 0	\$ 0
Work Release Charges for Board	900	0	0	0	0	0
<u>Fees</u>						
Telephone Commissions	40,681	0	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	849,960	0	0
Data Processing Fee - Register	8,548	0	0	0	0	0
Data Processing Fee - Sheriff	11,327	0	0	0	0	0
Sexual Offender Registration Fee - Sheriff	4,050	0	0	0	0	0
Data Processing Fee - County Clerk	1,905	0	0	0	0	0
Total Charges for Current Services	<u>\$ 67,411</u>	<u>\$ 16,527</u>	<u>\$ 0</u>	<u>\$ 849,960</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 99,716	\$ 0	\$ 0	\$ 0	\$ 0	\$ 51,520
Lease/Rentals	5,019	0	0	0	0	0
Sale of Materials and Supplies	215	0	0	0	0	0
Commissary Sales	70,084	0	0	0	0	0
Sale of Recycled Materials	105	35,002	0	0	0	0
Miscellaneous Refunds	146,478	0	0	0	3,680	0
<u>Nonrecurring Items</u>						
Sale of Equipment	8,750	3,500	0	0	4,250	0
Contributions and Gifts	19,850	0	0	0	0	0
<u>Other Local Revenues</u>						
Other Local Revenues	337	0	0	0	0	0
Total Other Local Revenues	<u>\$ 350,554</u>	<u>\$ 38,502</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,930</u>	<u>\$ 51,520</u>

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service
	General	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service
<u>Fees Received from County Officials</u>						
<u>Excess Fees</u>						
County Clerk	\$ 211,199	\$ 0	\$ 0	\$ 0	\$ 0	0
Circuit Court Clerk	100,000	0	0	0	0	0
Trustee	122,163	0	0	0	0	0
<u>Fees in-Lieu-of Salary</u>						
Clerk and Master	86,626	0	0	0	0	0
Register	98,385	0	0	0	0	0
Sheriff	20,518	0	0	0	0	0
Total Fees Received from County Officials	\$ 638,891	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 9,350	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>Public Works Grants</u>						
Litter Program	40,559	0	0	0	0	0
<u>Other State Revenues</u>						
Income Tax	36,500	0	0	0	0	0
Beer Tax	18,055	0	0	0	0	0
Alcoholic Beverage Tax	61,550	0	0	0	0	0
Contracted Prisoner Boarding	1,295,934	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	1,789,746	0
Petroleum Special Tax	0	0	0	0	20,037	0
Registrar's Salary Supplement	15,164	0	0	0	0	0
Other State Grants	56,358	0	0	0	0	0
Other State Revenues	47,530	0	0	0	0	0
Total State of Tennessee	\$ 1,581,000	\$ 0	\$ 0	\$ 0	\$ 1,809,783	\$ 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>Federal Government</u>						
<u>Federal Through State</u>						
Civil Defense Reimbursement	\$ 30,000	\$ 0	\$ 0	\$ 0	\$ 0	0
Other Federal through State	234,960	0	0	0	0	0
Total Federal Government	<u>\$ 264,960</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 22,000	\$ 0	\$ 0	\$ 0	\$ 0	104,268
Contracted Services	139,500	0	0	0	0	0
<u>Other</u>						
Other	259,730	0	0	0	0	0
Total Other Governments and Citizens Groups	<u>\$ 421,230</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>104,268</u>
Total	<u>\$ 8,965,269</u>	<u>\$ 587,343</u>	<u>\$ 68,265</u>	<u>\$ 849,960</u>	<u>\$ 2,056,383</u>	<u>\$ 2,202,791</u>

(Continued)

Exhibit J-5

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

	<u>Debt Service</u> <u>Fund (Cont.)</u>	
	Rural Debt Service	Total
<u>Local Taxes</u>		
<u>County Property Taxes</u>		
Current Property Tax	\$ 0	\$ 5,814,943
Trustee's Collections - Prior Year	0	242,072
Circuit/Clerk and Master Collections - Prior Years	0	52,667
Interest and Penalty	0	43,707
Payments in-Lieu-of Taxes - Local Utilities	0	104,463
<u>County Local Option Taxes</u>		
Local Option Sales Tax	552,110	694,704
Hotel/Motel Tax	0	52,700
Wheel Tax	0	899,133
Litigation Tax - General	0	175,412
Litigation Tax - Jail, Workhouse, or Courthouse	0	65,072
Business Tax	0	263,812
Mixed Drink Tax	0	3,178
<u>Statutory Local Taxes</u>		
Bank Excise Tax	0	51,481
Wholesale Beer Tax	0	84,763
Interstate Telecommunications Tax	339	1,862
Total Local Taxes	<u>\$ 552,449</u>	<u>\$ 8,549,969</u>
<u>Licenses and Permits</u>		
<u>Permits</u>		
Beer Permits	\$ 0	\$ 950
Total Licenses and Permits	<u>\$ 0</u>	<u>\$ 950</u>

(Continued)

Exhibit J-5

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

	<u>Debt Service</u> <u>Fund (Cont.)</u>	
	Rural Debt Service	Total
<u>Fines, Forfeitures, and Penalties</u>		
<u>Circuit Court</u>		
Fines	\$ 0	\$ 23,884
Officers Costs	0	1,497
Drug Control Fines	0	16,724
DUI Treatment Fines	0	570
Data Entry Fee - Circuit Court	0	17,400
<u>General Sessions Court</u>		
Fines	0	103,116
Officers Costs	0	53,522
Game and Fish Fines	0	487
Drug Control Fines	0	16,900
Drug Court Fees	0	7,334
Jail Fees	0	58,558
DUI Treatment Fines	0	10,640
<u>Juvenile Court</u>		
Fines	0	1,511
<u>Chancery Court</u>		
Officers Costs	0	210
Data Entry Fee - Chancery Court	0	2,506
<u>Judicial District Drug Program</u>		
Drug Task Force Forfeitures and Seizures	0	52,817
Courtroom Security Fee	0	161,329
Total Fines, Forfeitures, and Penalties	<u>\$ 0</u>	<u>\$ 529,005</u>

(Continued)

Exhibit J-5

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

	<u>Debt Service</u> <u>Fund (Cont.)</u>	
	Rural Debt Service	Total
<u>Charges for Current Services</u>		
<u>General Service Charges</u>		
Surcharge - Waste Tire Disposal	\$ 0	\$ 16,527
Work Release Charges for Board	0	900
<u>Fees</u>		
Telephone Commissions	0	40,681
Constitutional Officers' Fees and Commissions	0	849,960
Data Processing Fee - Register	0	8,548
Data Processing Fee - Sheriff	0	11,327
Sexual Offender Registration Fee - Sheriff	0	4,050
Data Processing Fee - County Clerk	0	1,905
Total Charges for Current Services	<u>\$ 0</u>	<u>\$ 933,898</u>
<u>Other Local Revenues</u>		
<u>Recurring Items</u>		
Investment Income	\$ 5,729	\$ 156,965
Lease/Rentals	0	5,019
Sale of Materials and Supplies	0	215
Commissary Sales	0	70,084
Sale of Recycled Materials	0	35,107
Miscellaneous Refunds	0	150,158
<u>Nonrecurring Items</u>		
Sale of Equipment	0	16,500
Contributions and Gifts	0	19,850
<u>Other Local Revenues</u>		
Other Local Revenues	0	337
Total Other Local Revenues	<u>\$ 5,729</u>	<u>\$ 454,235</u>

(Continued)

Exhibit J-5

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

	<u>Debt Service</u> <u>Fund (Cont.)</u>	
	Rural Debt Service	Total
<u>Fees Received from County Officials</u>		
<u>Excess Fees</u>		
County Clerk	\$ 0	\$ 211,199
Circuit Court Clerk	0	100,000
Trustee	0	122,163
<u>Fees in-Lieu-of Salary</u>		
Clerk and Master	0	86,626
Register	0	98,385
Sheriff	0	20,518
Total Fees Received from County Officials	<u>\$ 0</u>	<u>\$ 638,891</u>
<u>State of Tennessee</u>		
<u>General Government Grants</u>		
Juvenile Services Program	\$ 0	\$ 9,350
<u>Public Works Grants</u>		
Litter Program	0	40,559
<u>Other State Revenues</u>		
Income Tax	0	36,500
Beer Tax	0	18,055
Alcoholic Beverage Tax	0	61,550
Contracted Prisoner Boarding	0	1,295,934
Gasoline and Motor Fuel Tax	0	1,789,746
Petroleum Special Tax	0	20,037
Registrar's Salary Supplement	0	15,164
Other State Grants	0	56,358
Other State Revenues	0	47,530
Total State of Tennessee	<u>\$ 0</u>	<u>\$ 3,390,783</u>

(Continued)

Exhibit J-5

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

	<u>Debt Service</u> <u>Fund (Cont.)</u>	
	Rural Debt Service	Total
<hr/>		
<u>Federal Government</u>		
<u>Federal Through State</u>		
Civil Defense Reimbursement	\$ 0	\$ 30,000
Other Federal through State	0	234,960
Total Federal Government	<u>\$ 0</u>	<u>\$ 264,960</u>
<u>Other Governments and Citizens Groups</u>		
<u>Other Governments</u>		
Contributions	\$ 550,000	\$ 676,268
Contracted Services	0	139,500
<u>Other</u>		
Other	0	259,730
Total Other Governments and Citizens Groups	<u>\$ 550,000</u>	<u>\$ 1,075,498</u>
Total	<u>\$ 1,108,178</u>	<u>\$ 15,838,189</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, 2015

	General Purpose School	Special Revenue Funds			School Transportation	Capital Projects Fund	Total
		School Federal Projects	Central Cafeteria	School Education Capital Projects			
<u>Local Taxes</u>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 1,942,132	\$ 0	\$ 0	\$ 907,756	\$ 0	\$ 2,849,888	
Trustee's Collections - Prior Year	79,136	0	0	37,386	0	116,522	
Circuit/Clerk and Master Collections - Prior Years	17,391	0	0	8,140	0	25,531	
Interest and Penalty	14,395	0	0	6,732	0	21,127	
Payments in-Lieu-of Taxes - T.V.A.	366	0	0	0	0	366	
Payments in-Lieu-of Taxes - Local Utilities	34,639	0	0	16,118	0	50,757	
<u>County Local Option Taxes</u>							
Local Option Sales Tax	2,687,390	0	0	0	0	2,687,390	
Wheel Tax	365,152	0	0	0	0	365,152	
Mixed Drink Tax	2,583	0	0	0	0	2,583	
<u>Statutory Local Taxes</u>							
Bank Excise Tax	16,989	0	0	7,944	0	24,933	
Interstate Telecommunications Tax	2,251	0	0	0	0	2,251	
Total Local Taxes	\$ 5,162,424	\$ 0	\$ 0	\$ 984,076	\$ 0	\$ 6,146,500	
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Marriage Licenses	\$ 1,831	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,831	
<u>Permits</u>							
Other Permits	281	0	0	0	0	281	
Total Licenses and Permits	\$ 2,112	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,112	

(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			Capital Projects Fund	Total
		School Federal Projects	Central Cafeteria	School Transpor - tation	Education Capital Projects	
<u>Charges for Current Services</u>						
<u>Education Charges</u>						
Tuition - Regular Day Students	\$ 775	\$ 0	\$ 0	\$ 0	\$ 0	\$ 775
Contract for Instructional Services with Other LEAs	296,050	0	0	0	0	296,050
Receipts from Individual Schools	0	0	579,391	0	0	579,391
Total Charges for Current Services	\$ 296,825	\$ 0	\$ 579,391	\$ 0	\$ 0	\$ 876,216
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,716	\$ 5,716
Lease/Rentals	5,100	0	0	0	0	5,100
E-Rate Funding	28,006	0	0	0	0	28,006
Miscellaneous Refunds	22,276	0	12,411	2,391	1,031	38,109
<u>Nonrecurring Items</u>						
Sale of Equipment	3,350	0	0	0	0	3,350
Contributions and Gifts	4,038	0	0	0	0	4,038
<u>Other Local Revenues</u>						
Other Local Revenues	1,700	0	0	0	0	1,700
Total Other Local Revenues	\$ 64,470	\$ 0	\$ 12,411	\$ 2,391	\$ 6,747	\$ 86,019
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
On-behalf Contributions for OPEB	\$ 119,940	\$ 0	\$ 0	\$ 0	\$ 0	\$ 119,940
<u>State Education Funds</u>						
Basic Education Program	19,362,610	0	0	0	0	19,362,610
Early Childhood Education	505,285	0	0	0	0	505,285

(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			Capital Projects Fund Education Capital Projects	Total
		School Federal Projects	Central Cafeteria	School Transpor - tation		
<u>State of Tennessee (Cont.)</u>						
<u>State Education Funds (Cont.)</u>						
School Food Service	\$ 22,002	\$ 0	\$ 0	\$ 0	\$ 0	\$ 22,002
Driver Education	26,320	0	0	0	0	26,320
Other State Education Funds	167,183	0	0	0	0	167,183
Career Ladder Program	125,067	0	0	0	0	125,067
Career Ladder - Extended Contract	37,420	0	0	0	0	37,420
<u>Other State Revenues</u>						
State Revenue Sharing - T.V.A.	851,486	0	0	0	0	851,486
Other State Grants	17,349	0	0	0	0	17,349
Total State of Tennessee	\$ 21,234,662	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,234,662
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA School Lunch Program	\$ 0	\$ 0	\$ 999,095	\$ 0	\$ 0	\$ 999,095
USDA - Commodities	0	0	130,467	0	0	130,467
Breakfast	0	0	406,174	0	0	406,174
USDA - Other	0	0	12,246	0	0	12,246
Adult Education State Grant Program	221,704	0	0	0	0	221,704
Vocational Education - Basic Grants to States	0	67,031	0	0	0	67,031
Title I Grants to Local Education Agencies	0	722,391	0	0	0	722,391
Special Education - Grants to States	28,612	804,606	0	0	0	833,218
Special Education Preschool Grants	9,012	26,722	0	0	0	35,734
English Language Acquisition Grants	0	835	0	0	0	835
Rural Education	0	48,588	0	0	0	48,588
Eisenhower Professional Development State Grants	0	104,039	0	0	0	104,039
Other Federal through State	28,178	122,499	0	0	0	150,677

(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			Capital Projects Fund	Total
		School Federal Projects	Central Cafeteria	School Transpor - tation	Education Capital Projects	
<u>Federal Government (Cont.)</u>						
<u>Direct Federal Revenue</u>						
ROTC Reimbursement	\$ 56,063	\$ 0	\$ 0	\$ 0	\$ 0	\$ 56,063
Total Federal Government	\$ 343,569	\$ 1,896,711	\$ 1,547,982	\$ 0	\$ 0	\$ 3,788,262
 Total	 \$ 27,104,062	 \$ 1,896,711	 \$ 2,139,784	 \$ 986,467	 \$ 6,747	 \$ 32,133,771

Exhibit J-7

Henderson County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2015

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	79,000	
Social Security		4,826	
Medical Insurance		3,720	
Employer Medicare		1,129	
Audit Services		8,331	
Total County Commission			\$ 97,006

Board of Equalization

Board and Committee Members Fees	\$	1,500	
Total Board of Equalization			1,500

County Mayor/Executive

County Official/Administrative Officer	\$	78,358	
Secretary(ies)		22,173	
Social Security		5,792	
Pensions		8,437	
Medical Insurance		4,132	
Unemployment Compensation		126	
Employer Medicare		1,355	
Dues and Memberships		2,180	
Legal Notices, Recording, and Court Costs		210	
Postal Charges		500	
Travel		2,339	
Office Supplies		3,068	
Premiums on Corporate Surety Bonds		1,659	
Other Charges		355	
Office Equipment		250	
Total County Mayor/Executive			130,934

County Attorney

Social Security	\$	496	
Employer Medicare		116	
Legal Services		20,299	
Total County Attorney			20,911

Election Commission

County Official/Administrative Officer	\$	61,059	
Clerical Personnel		26,050	
Part-time Personnel		7,249	
Overtime Pay		862	
Election Commission		2,580	
Election Workers		14,110	
In-service Training		3,326	
Social Security		5,795	
Pensions		7,390	
Medical Insurance		3,720	
Unemployment Compensation		228	

(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.)

Employer Medicare	\$	1,355	
Communication		1,025	
Data Processing Services		2,900	
Dues and Memberships		175	
Janitorial Services		495	
Legal Notices, Recording, and Court Costs		3,568	
Postal Charges		2,000	
Printing, Stationery, and Forms		2,493	
Rentals		9,450	
Other Contracted Services		12,487	
Office Supplies		2,318	
Other Supplies and Materials		1,000	
Total Election Commission			\$ 171,635

Register of Deeds

County Official/Administrative Officer	\$	69,343	
Secretary(ies)		34,798	
Social Security		6,457	
Pensions		8,751	
Unemployment Compensation		126	
Employer Medicare		1,510	
Communication		1,288	
Data Processing Services		5,970	
Dues and Memberships		788	
Maintenance and Repair Services - Office Equipment		26	
Postal Charges		300	
Office Supplies		2,015	
Premiums on Corporate Surety Bonds		1,775	
Other Charges		170	
Total Register of Deeds			133,317

County Buildings

Custodial Personnel	\$	101,498	
Social Security		6,647	
Pensions		9,213	
Medical Insurance		11,492	
Unemployment Compensation		556	
Employer Medicare		1,554	
Communication		35,000	
Licenses		299	
Maintenance Agreements		51,059	
Maintenance and Repair Services - Buildings		223,781	
Maintenance and Repair Services - Equipment		2,983	
Pest Control		4,305	
Postal Charges		3,859	
Custodial Supplies		2,073	
Gasoline		623	

(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.)

Utilities	\$	273,524	
Other Charges		5,661	
Building Improvements		447,522	
Other Equipment		6,720	
Total County Buildings			\$ 1,188,369

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	69,342	
Accountants/Bookkeepers		141,832	
Social Security		12,451	
Pensions		17,504	
Medical Insurance		13,527	
Unemployment Compensation		558	
Employer Medicare		2,900	
Communication		644	
Data Processing Services		9,610	
Postal Charges		1,962	
Printing, Stationery, and Forms		3,700	
Travel		856	
Office Supplies		2,900	
Other Supplies and Materials		295	
Other Charges		570	
Total Accounting and Budgeting			278,651

Property Assessor's Office

County Official/Administrative Officer	\$	67,843	
Clerical Personnel		100,647	
Social Security		9,616	
Pensions		14,079	
Medical Insurance		11,315	
Unemployment Compensation		630	
Employer Medicare		2,249	
Communication		985	
Contracts with Private Agencies		15,000	
Data Processing Services		7,164	
Dues and Memberships		1,700	
Legal Notices, Recording, and Court Costs		43	
Maintenance and Repair Services - Vehicles		1,089	
Postal Charges		1,200	
Travel		575	
Other Contracted Services		5,487	
Gasoline		886	
Office Supplies		1,281	
Other Charges		175	
Office Equipment		3,940	
Total Property Assessor's Office			245,904

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office

Communication	\$	2,448	
Data Processing Services		10,716	
Dues and Memberships		478	
Legal Notices, Recording, and Court Costs		188	
Postal Charges		7,862	
Printing, Stationery, and Forms		737	
Other Contracted Services		4,176	
Office Supplies		1,854	
Premiums on Corporate Surety Bonds		5,090	
Office Equipment		3,949	
Total County Trustee's Office			\$ 37,498

County Clerk's Office

Communication	\$	3,370	
Data Processing Services		15,456	
Dues and Memberships		573	
Maintenance Agreements		2,931	
Postal Charges		8,392	
Office Supplies		4,370	
Premiums on Corporate Surety Bonds		1,775	
Office Equipment		1,500	
Total County Clerk's Office			38,367

Administration of Justice

Circuit Court

Other Salaries and Wages	\$	7,800	
Board and Committee Members Fees		310	
Jury and Witness Expense		11,912	
Social Security		462	
Pensions		661	
Unemployment Compensation		29	
Employer Medicare		108	
Communication		2,914	
Dues and Memberships		650	
Legal Notices, Recording, and Court Costs		683	
Maintenance Agreements		1,450	
Postal Charges		2,371	
Office Supplies		7,622	
Premiums on Corporate Surety Bonds		3,550	
Other Charges		483	
Total Circuit Court			41,005

General Sessions Court

Judge(s)	\$	120,586	
Secretary(ies)		26,148	
Social Security		8,433	
Pensions		12,308	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

Medical Insurance	\$	7,440	
Unemployment Compensation		97	
Employer Medicare		1,972	
Communication		314	
Contracts with Private Agencies		18,300	
Dues and Memberships		173	
Other Contracted Services		14,450	
Office Supplies		981	
Total General Sessions Court			\$ 211,202

Drug Court

Drugs and Medical Supplies	\$	4,930	
Total Drug Court			4,930

Chancery Court

County Official/Administrative Officer	\$	76,127	
Clerical Personnel		60,362	
Social Security		8,043	
Pensions		9,752	
Medical Insurance		3,720	
Unemployment Compensation		380	
Employer Medicare		1,881	
Communication		1,298	
Data Processing Services		6,675	
Dues and Memberships		573	
Legal Notices, Recording, and Court Costs		11,500	
Maintenance Agreements		456	
Office Supplies		4,689	
Total Chancery Court			185,456

Juvenile Court

Guidance Personnel	\$	32,151	
In-service Training		827	
Social Security		1,552	
Pensions		2,723	
Medical Insurance		3,720	
Unemployment Compensation		126	
Employer Medicare		363	
Communication		958	
Contracts with Other Public Agencies		1,816	
Travel		987	
Office Supplies		1,000	
Total Juvenile Court			46,223

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	74,628	
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(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.)

Deputy(ies)	\$	1,076,913	
Salary Supplements		18,000	
Clerical Personnel		60,320	
Overtime Pay		8,129	
In-service Training		6,256	
Social Security		73,306	
Pensions		103,069	
Medical Insurance		47,017	
Unemployment Compensation		4,276	
Employer Medicare		17,144	
Communication		19,573	
Dues and Memberships		2,000	
Evaluation and Testing		2,585	
Legal Notices, Recording, and Court Costs		328	
Maintenance Agreements		13,278	
Maintenance and Repair Services - Equipment		18,740	
Maintenance and Repair Services - Vehicles		24,722	
Postal Charges		4,441	
Travel		840	
Gasoline		76,560	
Office Supplies		7,608	
Tires and Tubes		19,936	
Uniforms		6,846	
Premiums on Corporate Surety Bonds		1,775	
Other Charges		7,281	
Motor Vehicles		122,222	
Office Equipment		7,898	
Other Equipment		28,357	
Total Sheriff's Department			\$ 1,854,048

Administration of the Sexual Offender Registry

Office Supplies	\$	1,037	
Other Charges		4,350	
Office Equipment		1,678	
Total Administration of the Sexual Offender Registry			7,065

Workhouse

Guards	\$	972,192	
Clerical Personnel		29,224	
Custodial Personnel		25,000	
Overtime Pay		10,090	
Other Salaries and Wages		45,864	
In-service Training		3,485	
Social Security		62,411	
Pensions		88,217	
Medical Insurance		75,759	
Unemployment Compensation		6,194	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Workhouse (Cont.)

Employer Medicare	\$	14,596	
Contracts with Government Agencies		5,000	
Evaluation and Testing		1,185	
Maintenance and Repair Services - Equipment		17,759	
Medical and Dental Services		377,818	
Custodial Supplies		21,193	
Drugs and Medical Supplies		425	
Food Supplies		229,672	
Office Supplies		984	
Uniforms		6,057	
Other Charges		23,498	
Total Workhouse			\$ 2,016,623

Fire Prevention and Control

County Official/Administrative Officer	\$	58,488	
Assistant(s)		27,706	
Part-time Personnel		12,845	
In-service Training		2,500	
Social Security		5,140	
Pensions		7,350	
Medical Insurance		3,720	
Unemployment Compensation		549	
Employer Medicare		1,202	
Communication		3,763	
Dues and Memberships		200	
Maintenance and Repair Services - Buildings		140	
Maintenance and Repair Services - Equipment		14,199	
Maintenance and Repair Services - Vehicles		16,808	
Postal Charges		35	
Travel		820	
Gasoline		12,120	
Instructional Supplies and Materials		565	
Office Supplies		1,051	
Uniforms		495	
Other Supplies and Materials		359	
Trustee's Commission		265	
Building Improvements		4,433	
Other Equipment		255,094	
Total Fire Prevention and Control			429,847

Civil Defense

Other Salaries and Wages	\$	67,184
In-service Training		1,281
Social Security		3,910
Pensions		2,942
Medical Insurance		3,720
Unemployment Compensation		252

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense (Cont.)

Employer Medicare	\$	914	
Communication		5,483	
Contracts with Private Agencies		9,999	
Maintenance Agreements		84	
Maintenance and Repair Services - Buildings		2,938	
Maintenance and Repair Services - Vehicles		248	
Other Contracted Services		1,207	
Gasoline		1,390	
Office Supplies		850	
Office Equipment		512	
Total Civil Defense	\$		102,914

County Coroner/Medical Examiner

Other Per Diem and Fees	\$	38,628	
Ambulance Services		1,890	
Premiums on Corporate Surety Bonds		175	
Total County Coroner/Medical Examiner			40,693

Other Public Safety

County Official/Administrative Officer	\$	42,451	
Dispatchers/Radio Operators		236,584	
Clerical Personnel		37,635	
Part-time Personnel		61,175	
In-service Training		764	
Social Security		23,069	
Pensions		29,989	
Medical Insurance		71,754	
Unemployment Compensation		1,720	
Employer Medicare		5,395	
Maintenance and Repair Services - Equipment		2,497	
Total Other Public Safety			513,033

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	5,400	
Other Salaries and Wages		12,375	
Social Security		767	
Unemployment Compensation		128	
Employer Medicare		179	
Communication		2,918	
Maintenance and Repair Services - Equipment		295	
Postal Charges		553	
Travel		1,408	
Custodial Supplies		502	
Drugs and Medical Supplies		1,021	
Office Supplies		2,533	
Other Charges		28,631	
Total Local Health Center			56,710

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Alcohol and Drug Programs

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

Other Local Health Services

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

Appropriation to State

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

Waste Pickup

Supervisor/Director	\$ 11,941	
Part-time Personnel	2,500	
Printing, Stationery, and Forms	3,277	
Travel	116	
Gasoline	5,197	
Other Supplies and Materials	1,641	
Other Charges	2,814	
Total Waste Pickup		27,486

Social, Cultural, and Recreational Services

Adult Activities

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

Senior Citizens Assistance

Contributions	\$ 14,500	
Total Senior Citizens Assistance		14,500

Libraries

Contributions	\$ 44,000	
Total Libraries		44,000

Other Social, Cultural, and Recreational

Contributions	\$ 49,230	
Total Other Social, Cultural, and Recreational		49,230

Agriculture and Natural Resources

Agricultural Extension Service

Assistant(s)	\$ 22,230
Supervisor/Director	14,768
Secretary(ies)	6,800
Other Salaries and Wages	8,500
Social Security	2,200
Pensions	4,300
Unemployment Compensation	250

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Agricultural Extension Service (Cont.)

Employer Medicare	\$	750	
Communication		6,850	
Maintenance Agreements		500	
Postal Charges		200	
Travel		350	
Office Supplies		1,000	
Total Agricultural Extension Service			\$ 68,698

Soil Conservation

Secretary(ies)	\$	13,204	
Social Security		819	
Unemployment Compensation		115	
Employer Medicare		191	
Total Soil Conservation			14,329

Flood Control

Other Contracted Services	\$	19,253	
Total Flood Control			19,253

Other Operations

Tourism

Communication	\$	2,157	
Contributions		12,250	
Total Tourism			14,407

Industrial Development

Communication	\$	1,400	
Contributions		10,750	
Other Charges		3,117	
Total Industrial Development			15,267

Veterans' Services

Supervisor/Director	\$	41,600	
Secretary(ies)		10,943	
In-service Training		285	
Social Security		3,245	
Pensions		3,524	
Medical Insurance		1,860	
Unemployment Compensation		256	
Employer Medicare		725	
Communication		377	
Travel		864	
Office Supplies		1,165	
Other Charges		800	
Total Veterans' Services			65,644

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Other Charges

Building and Contents Insurance	\$	58,000	
Liability Insurance		82,000	
Vehicle and Equipment Insurance		90,791	
Workers' Compensation Insurance		79,177	
Total Other Charges			\$ 309,968

Employee Benefits

Medical Insurance	\$	11,409	
Unemployment Compensation		13	
Total Employee Benefits			11,422

Miscellaneous

Part-time Personnel	\$	2,640	
Dues and Memberships		7,869	
Office Supplies		1,806	
Road Signs		225	
Premiums on Corporate Surety Bonds		175	
Trustee's Commission		106,092	
Other Charges		7,696	
Airport Improvement		32,294	
Total Miscellaneous			158,797

Principal on Debt

General Government

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

Interest on Debt

General Government

Interest on Notes	\$	8,250	
Total General Government			8,250

Total General Fund \$ 8,770,699

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Education/Information

Supervisor/Director	\$	41,587	
Part-time Personnel		142,900	
Social Security		11,097	
Pensions		5,635	
Medical Insurance		7,438	
Unemployment Compensation		1,661	
Employer Medicare		2,595	
Communication		6,941	
Contracts with Private Agencies		227,917	
Dues and Memberships		100	

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Education/Information (Cont.)

Legal Notices, Recording, and Court Costs	\$	781	
Maintenance Agreements		59	
Maintenance and Repair Services - Buildings		5,330	
Maintenance and Repair Services - Equipment		17,127	
Maintenance and Repair Services - Vehicles		3,060	
Pest Control		25	
Travel		460	
Custodial Supplies		271	
Gasoline		354	
Office Supplies		360	
Tires and Tubes		1,287	
Utilities		12,873	
Other Supplies and Materials		1,967	
Trustee's Commission		10,018	
Landfill Closure/Postclosure Care Costs		6,166	
Other Charges		1,985	
Total Sanitation Education/Information			<u>\$ 509,994</u>

Total Solid Waste/Sanitation Fund \$ 509,994

Drug Control Fund

Public Safety

Drug Enforcement

Other Salaries and Wages	\$	36,863	
Confidential Drug Enforcement Payments		14,000	
Legal Notices, Recording, and Court Costs		176	
Maintenance and Repair Services - Vehicles		284	
Towing Services		2,005	
Uniforms		162	
Trustee's Commission		146	
Other Charges		2,988	
Motor Vehicles		21,200	
Total Drug Enforcement			<u>\$ 77,824</u>

Total Drug Control Fund 77,824

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	245,456	
Total County Trustee's Office			\$ 245,456

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	288,166	
Total County Clerk's Office			288,166

(Continued)

Exhibit J-7

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

Constitutional Officers - Fees Fund (Cont.)

Administration of Justice

Circuit Court Clerk

Constitutional Officers' Operating Expenses	\$ 396,548	
Total Circuit Court Clerk		\$ 396,548

Chancery Court

Constitutional Officers' Operating Expenses	\$ 5,810	
Total Chancery Court		<u>5,810</u>

Total Constitutional Officers - Fees Fund		\$ 935,980
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Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 74,628	
Secretary(ies)	48,153	
Social Security	8,606	
Pensions	10,312	
Medical Insurance	7,611	
Unemployment Compensation	810	
Employer Medicare	693	
Dues and Memberships	2,958	
Legal Notices, Recording, and Court Costs	977	
Postal Charges	56	
Travel	200	
Office Supplies	2,048	
Other Charges	<u>987</u>	
Total Administration		\$ 158,039

Highway and Bridge Maintenance

Equipment Operators	\$ 210,324	
Truck Drivers	142,669	
Laborers	122,443	
Overtime Pay	3,242	
Social Security	29,430	
Pensions	38,108	
Medical Insurance	76,750	
Unemployment Compensation	6,477	
Employer Medicare	6,883	
Evaluation and Testing	985	
Medical and Dental Services	125	
Other Contracted Services	25,401	
Asphalt - Cold Mix	21,113	
Asphalt - Liquid	370,955	
Crushed Stone	74,316	
Pipe	42,883	
Road Signs	105,000	
Wood Products	4,402	
Other Supplies and Materials	<u>510</u>	
Total Highway and Bridge Maintenance		1,282,016

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment

Foremen	\$	57,209	
Mechanic(s)		27,034	
Social Security		5,211	
Pensions		3,063	
Medical Insurance		17,758	
Unemployment Compensation		1,080	
Employer Medicare		1,219	
Maintenance and Repair Services - Equipment		17,420	
Diesel Fuel		99,667	
Equipment and Machinery Parts		100,397	
Gasoline		21,223	
Lubricants		11,556	
Tires and Tubes		35,862	
Other Supplies and Materials		4,652	
Total Operation and Maintenance of Equipment	\$		403,351

Other Charges

Communication	\$	11,031	
Maintenance and Repair Services - Buildings		3,092	
Pest Control		125	
Custodial Supplies		4,382	
Utilities		9,878	
Liability Insurance		31,707	
Trustee's Commission		22,835	
Workers' Compensation Insurance		50,024	
Total Other Charges			133,074

Employee Benefits

Employee and Dependent Insurance	\$	32,036	
Total Employee Benefits			32,036

Capital Outlay

Highway Equipment	\$	17,450	
Motor Vehicles		39,757	
State Aid Projects		48,466	
Total Capital Outlay			105,673

Total Highway/Public Works Fund \$ 2,114,189

General Debt Service Fund

Principal on Debt

General Government

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

Education

Principal on Bonds	\$	1,605,000	
Principal on Other Loans		81,444	
Total Education			1,686,444

(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	\$ 609,825	
Total General Government		\$ 609,825

Education

Interest on Bonds	\$ 294,880	
Interest on Other Loans	21,576	
Total Education		316,456

Other Debt Service

General Government

Fiscal Agent Charges	\$ 2,126	
Trustee's Commission	32,317	
Underwriter's Discount	49,117	
Other Debt Issuance Charges	95,282	
Total General Government		178,842

Education

Fiscal Agent Charges	\$ 1,143	
Underwriter's Discount	13,116	
Other Debt Issuance Charges	24,883	
Total Education		39,142

Total General Debt Service Fund		\$ 2,905,709
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Rural Debt Service Fund

Principal on Debt

Education

Principal on Bonds	\$ 1,580,000	
Total Education		\$ 1,580,000

Interest on Debt

Education

Interest on Bonds	\$ 180,615	
Total Education		180,615

Other Debt Service

Education

Fiscal Agent Charges	\$ 1,002	
Trustee's Commission	5,596	
Total Education		6,598

Total Rural Debt Service Fund		<u>1,767,213</u>
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Total Governmental Funds - Primary Government		<u>\$ 17,081,608</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, 2015

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 8,631,123	
Career Ladder Program	56,500	
Career Ladder Extended Contracts	31,746	
Homebound Teachers	11,952	
Clerical Personnel	400,840	
Educational Assistants	182,541	
Other Salaries and Wages	394,669	
Non-certified Substitute Teachers	157,073	
Social Security	572,289	
Pensions	855,352	
Medical Insurance	1,059,990	
Employer Medicare	134,485	
Tuition	57,293	
Other Contracted Services	21,000	
Instructional Supplies and Materials	420,121	
Textbooks	126,144	
Other Charges	104,012	
Regular Instruction Equipment	449,796	
Total Regular Instruction Program		\$ 13,666,926

Alternative Instruction Program

Educational Assistants	\$ 25,540	
Social Security	1,454	
Pensions	1,187	
Medical Insurance	948	
Employer Medicare	340	
Instructional Supplies and Materials	874	
Other Equipment	3,500	
Total Alternative Instruction Program		33,843

Special Education Program

Teachers	\$ 1,321,578	
Career Ladder Program	13,500	
Homebound Teachers	1,619	
Medical Personnel	22,853	
Educational Assistants	270,333	
Speech Pathologist	104,706	
Non-certified Substitute Teachers	57,087	
Social Security	100,682	
Pensions	152,658	
Medical Insurance	172,512	
Employer Medicare	24,611	
Contracts with Private Agencies	54,000	
Maintenance and Repair Services - Equipment	500	
Instructional Supplies and Materials	8,000	
Special Education Equipment	3,469	
Other Equipment	23,849	
Total Special Education Program		2,331,957

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Teachers	\$	742,493	
Career Ladder Program		13,000	
Career Ladder Extended Contracts		6,500	
Non-certified Substitute Teachers		19,868	
Social Security		43,112	
Pensions		68,225	
Medical Insurance		85,154	
Employer Medicare		10,083	
Instructional Supplies and Materials		34,328	
Other Supplies and Materials		32,438	
Vocational Instruction Equipment		60,000	
Total Vocational Education Program			\$ 1,115,201

Adult Education Program

Teachers	\$	36,137	
Clerical Personnel		18,920	
Other Salaries and Wages		23,284	
Social Security		3,380	
Pensions		18	
Employer Medicare		1,130	
Other Contracted Services		150	
Other Supplies and Materials		18,844	
Other Charges		795	
Total Adult Education Program			102,658

Support Services

Attendance

Supervisor/Director	\$	62,246	
Career Ladder Program		1,000	
Social Security		3,585	
Pensions		5,709	
Medical Insurance		7,315	
Employer Medicare		838	
Travel		2,095	
Other Supplies and Materials		319	
Attendance Equipment		2,339	
Total Attendance			85,446

Health Services

Career Ladder Program	\$	1,000
Medical Personnel		225,424
Other Salaries and Wages		65,814
Social Security		16,552
Pensions		24,977
Medical Insurance		30,837
Employer Medicare		3,871

(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.)

Communication	\$	653	
Travel		5,561	
Instructional Supplies and Materials		3,517	
Other Supplies and Materials		5,250	
In Service/Staff Development		1,967	
Other Charges		5,453	
Total Health Services			\$ 390,876

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		442,884	
Other Salaries and Wages		97,693	
Social Security		31,857	
Pensions		48,837	
Medical Insurance		40,139	
Employer Medicare		7,450	
Evaluation and Testing		22,123	
Maintenance and Repair Services - Equipment		200	
Travel		9,732	
Other Contracted Services		8,897	
Other Supplies and Materials		811	
Other Charges		48,170	
Other Equipment		15,000	
Total Other Student Support			774,793

Regular Instruction Program

Supervisor/Director	\$	301,010	
Career Ladder Program		11,500	
Librarians		422,929	
Instructional Computer Personnel		71,486	
Other Salaries and Wages		142,738	
Social Security		54,546	
Pensions		85,288	
Medical Insurance		98,039	
Employer Medicare		12,757	
Travel		20,441	
Other Contracted Services		24,440	
Library Books/Media		28,484	
Other Supplies and Materials		810	
In Service/Staff Development		43,332	
Other Charges		1,890	
Total Regular Instruction Program			1,319,690

Alternative Instruction Program

Supervisor/Director	\$	53,810	
Social Security		3,249	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Alternative Instruction Program (Cont.)

Pensions	\$	4,857	
Medical Insurance		2,984	
Employer Medicare		760	
Travel		398	
Other Supplies and Materials		94	
Other Charges		274	
Total Alternative Instruction Program			\$ 66,426

Special Education Program

Supervisor/Director	\$	70,886	
Career Ladder Program		1,000	
Assessment Personnel		50,576	
Other Salaries and Wages		50,952	
Social Security		10,001	
Pensions		15,657	
Medical Insurance		17,251	
Employer Medicare		2,339	
Communication		6,439	
Travel		26,006	
Other Supplies and Materials		5,014	
In Service/Staff Development		4,000	
Other Charges		9,332	
Other Equipment		91	
Total Special Education Program			269,544

Vocational Education Program

Supervisor/Director	\$	71,718	
Career Ladder Program		2,000	
Career Ladder Extended Contracts		3,000	
Social Security		4,589	
Pensions		6,926	
Medical Insurance		4,178	
Employer Medicare		1,073	
Travel		5,803	
Other Supplies and Materials		600	
Other Charges		1,900	
Total Vocational Education Program			101,787

Adult Programs

Supervisor/Director	\$	73,438	
Social Security		4,386	
Pensions		6,634	
Medical Insurance		4,315	
Employer Medicare		1,026	
Travel		1,422	
In Service/Staff Development		5,769	
Total Adult Programs			96,990

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Programs

Other Salaries and Wages	\$	40,818	
Social Security		2,358	
Employer Medicare		592	
On-behalf Payments to OPEB		119,940	
Communication		2,862	
Evaluation and Testing		675	
Postal Charges		192	
Travel		426	
Instructional Supplies and Materials		5,385	
Other Supplies and Materials		3,958	
Total Other Programs			\$ 177,206

Board of Education

Custodial Personnel	\$	3,210	
Board and Committee Members Fees		28,600	
Social Security		1,431	
Medical Insurance		13,929	
Unemployment Compensation		8,924	
Employer Medicare		335	
Audit Services		19,000	
Dues and Memberships		12,089	
Legal Services		5,465	
Travel		619	
Office Supplies		13,976	
Trustee's Commission		120,415	
Workers' Compensation Insurance		202,238	
In Service/Staff Development		2,017	
Other Charges		3,720	
Total Board of Education			435,968

Director of Schools

County Official/Administrative Officer	\$	105,000	
Career Ladder Program		1,000	
Social Security		6,252	
Pensions		9,561	
Medical Insurance		7,966	
Employer Medicare		1,462	
Communication		31,998	
Dues and Memberships		2,739	
Maintenance and Repair Services - Equipment		124	
Postal Charges		1,872	
Travel		4,542	
Office Supplies		1,436	
Other Charges		100	
Administration Equipment		421	
Total Director of Schools			174,473

(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	\$	610,664	
Career Ladder Program		6,000	
Assistant Principals		194,755	
Social Security		48,530	
Pensions		73,026	
Medical Insurance		45,027	
Employer Medicare		11,350	
Communication		70,106	
Travel		1,195	
Other Supplies and Materials		612	
In Service/Staff Development		11,186	
Total Office of the Principal			\$ 1,072,451

Fiscal Services

Internal Audit Personnel	\$	34,200	
Clerical Personnel		45,304	
Social Security		4,780	
Pensions		3,844	
Medical Insurance		4,088	
Employer Medicare		1,118	
Maintenance and Repair Services - Equipment		28,905	
Other Contracted Services		119,643	
Gasoline		2,853	
Office Supplies		2,683	
Total Fiscal Services			247,418

Operation of Plant

Custodial Personnel	\$	530,209	
Social Security		31,279	
Pensions		26,795	
Medical Insurance		14,342	
Employer Medicare		7,410	
Janitorial Services		70,508	
Disposal Fees		20,546	
Other Contracted Services		20,457	
Custodial Supplies		107,558	
Electricity		639,634	
Natural Gas		146,605	
Water and Sewer		88,403	
Building and Contents Insurance		272,732	
Other Charges		1,600	
Total Operation of Plant			1,978,078

Maintenance of Plant

Supervisor/Director	\$	41,936	
Maintenance Personnel		127,077	

(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.)

Social Security	\$	10,253	
Pensions		14,338	
Medical Insurance		4,281	
Employer Medicare		2,398	
Maintenance and Repair Services - Buildings		187,072	
Maintenance and Repair Services - Equipment		40,033	
Maintenance and Repair Services - Vehicles		9,319	
Pest Control		20,130	
Travel		814	
Other Contracted Services		14,074	
Gasoline		15,663	
Other Supplies and Materials		2,926	
Other Charges		3,000	
Maintenance Equipment		10,704	
Total Maintenance of Plant			\$ 504,018

Transportation

Bus Drivers	\$	41,051	
Social Security		2,528	
Pensions		352	
Employer Medicare		591	
Contracts with Vehicle Owners		125	
Maintenance and Repair Services - Vehicles		14,158	
Diesel Fuel		5,131	
Transportation Equipment		117,391	
Total Transportation			181,327

Operation of Non-instructional Services

Food Service

Supervisor/Director	\$	34,692	
Clerical Personnel		22,000	
In-service Training		3,490	
Social Security		2,146	
Pensions		2,943	
Employer Medicare		502	
Dues and Memberships		508	
Travel		2,460	
Food Service Equipment		21,080	
Total Food Service			89,821

Early Childhood Education

Teachers	\$	242,341	
Educational Assistants		71,631	
Social Security		18,615	
Pensions		27,662	
Medical Insurance		20,854	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Operation of Non-instructional Services (Cont.)

Early Childhood Education (Cont.)

Employer Medicare	\$	4,354	
Communication		15,000	
Travel		6,629	
Food Supplies		5,450	
Other Supplies and Materials		62,706	
Other Equipment		30,042	
Total Early Childhood Education			\$ 505,284

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	382,499	
Land		212,500	
Total Regular Capital Outlay			594,999

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	654,268	
Total Education			654,268

Total General Purpose School Fund \$ 26,971,448

School Federal Projects Fund

Instruction

Regular Instruction Program

Educational Assistants	\$	261,195	
Other Salaries and Wages		205,552	
Social Security		28,740	
Pensions		39,769	
Medical Insurance		12,444	
Employer Medicare		6,721	
Maintenance and Repair Services - Equipment		9,649	
Instructional Supplies and Materials		24,543	
Regular Instruction Equipment		5,000	
Total Regular Instruction Program			\$ 593,613

Special Education Program

Teachers	\$	37,387	
Clerical Personnel		17,850	
Educational Assistants		362,709	
Social Security		21,819	
Pensions		29,377	
Medical Insurance		34,461	
Employer Medicare		4,494	
Contracts with Private Agencies		38,250	
Instructional Supplies and Materials		352	
Other Supplies and Materials		1,520	
Special Education Equipment		10,546	
Total Special Education Program			558,765

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Other Supplies and Materials	\$	2,500	
Other Charges		3,739	
Vocational Instruction Equipment		49,600	
Total Vocational Education Program			\$ 55,839

Support Services

Other Student Support

Other Salaries and Wages	\$	3,332	
Social Security		248	
Pensions		362	
Employer Medicare		58	
Communication		204	
Evaluation and Testing		43,186	
Travel		27,217	
Other Contracted Services		30,000	
Other Supplies and Materials		5,500	
Other Charges		14,104	
Total Other Student Support			124,211

Regular Instruction Program

Supervisor/Director	\$	77,038	
Secretary(ies)		24,794	
Other Salaries and Wages		118,588	
Social Security		12,371	
Pensions		18,008	
Medical Insurance		14,275	
Employer Medicare		2,914	
Travel		15,185	
Other Supplies and Materials		772	
In Service/Staff Development		29,337	
Total Regular Instruction Program			313,282

Special Education Program

Secretary(ies)	\$	21,152	
Social Security		1,256	
Pensions		1,794	
Medical Insurance		1,620	
Employer Medicare		294	
Travel		6,598	
Other Contracted Services		58,172	
In Service/Staff Development		3,537	
Total Special Education Program			94,423

Transportation

Bus Drivers	\$	131,556	
Social Security		7,977	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Pensions	\$	4,819	
Employer Medicare		1,866	
Contracts with Parents		2,304	
Maintenance and Repair Services - Vehicles		5,000	
Diesel Fuel		24,619	
Total Transportation			\$ 178,141

Total School Federal Projects Fund \$ 1,918,274

Central Cafeteria Fund

Operation of Non-instructional Services

Food Service

Cafeteria Personnel	\$	748,825	
Social Security		44,422	
Pensions		56,743	
Medical Insurance		37,317	
Employer Medicare		10,389	
Communication		3,386	
Travel		2,029	
Food Supplies		1,069,374	
Uniforms		3,855	
USDA - Commodities		130,467	
Other Supplies and Materials		121,334	
Other Equipment		18,156	
Total Food Service			\$ 2,246,297

Total Central Cafeteria Fund 2,246,297

School Transportation Fund

Support Services

Board of Education

Trustee's Commission	\$	19,475	
Total Board of Education			\$ 19,475

Transportation

Supervisor/Director	\$	29,295	
Social Security		1,816	
Pensions		2,490	
Employer Medicare		425	
Communication		704	
Contracts with Vehicle Owners		812,569	
Maintenance and Repair Services - Vehicles		1,977	
Other Contracted Services		5,000	
Diesel Fuel		188,536	
Gasoline		1,038	
Other Charges		4,389	
Total Transportation			1,048,239

Total School Transportation Fund 1,067,714

(Continued)

Exhibit J-8

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

<u>Education Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>General Administration Projects</u>		
Trustee's Commission	<u>\$ 74</u>	
Total General Administration Projects		\$ 74
 <u>Education Capital Projects</u>		
Building Construction	<u>\$ 3,175,187</u>	
Total Education Capital Projects		<u>3,175,187</u>
 Total Education Capital Projects Fund		 <u>\$ 3,175,261</u>
 Total Governmental Funds - Henderson County School Department		 <u><u>\$ 35,378,994</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, 2015

	Cities - Sales Tax Fund	City School ADA - Lexington Fund	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 444,333	\$ 444,333
Trustee's Collections - Prior Year	0	19,355	19,355
Circuit/Clerk and Master Collections - Prior Years	0	4,502	4,502
Interest and Penalty	0	3,382	3,382
Payments in-Lieu-of Taxes - Local Utilities	0	7,751	7,751
Local Option Sales Tax	3,319,229	740,464	4,059,693
Wheel Tax	0	83,863	83,863
Mixed Drink Tax	0	636	636
Bank Excise Tax	0	3,894	3,894
Interstate Telecommunications Tax	0	483	483
Marriage Licenses	0	420	420
Total Cash Receipts	<u>\$ 3,319,229</u>	<u>\$ 1,309,083</u>	<u>\$ 4,628,312</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 3,286,037	\$ 1,217,636	\$ 4,503,673
Trustee's Commission	33,192	17,194	50,386
Total Cash Disbursements	<u>\$ 3,319,229</u>	<u>\$ 1,234,830</u>	<u>\$ 4,554,059</u>
Excess of Cash Receipts			
Over (Under) Cash Disbursements	\$ 0	\$ 74,253	\$ 74,253
Cash Balance, July 1, 2014	0	6,743	6,743
Cash Balance, June 30, 2015	<u>\$ 0</u>	<u>\$ 80,996</u>	<u>\$ 80,996</u>

SINGLE AUDIT SECTION



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

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

Independent Auditor's Report

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, 2015, and the related notes to the financial statements, which collectively comprise Henderson County's basic financial statements, and have issued our report thereon dated November 6, 2015.

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 certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: 2015-005 and 2015-006.

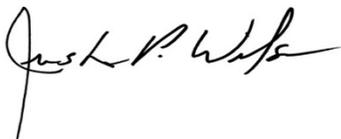
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Henderson County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items: 2015-001, 2015-002, 2015-003, and 2015-004.

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

November 6, 2015

JPW/sb



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

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

Independent Auditor's Report

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, 2015. Henderson County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, Henderson County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

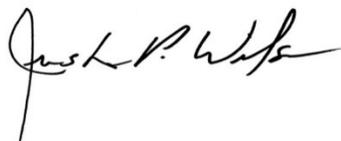
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

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

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henderson County, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Henderson County's basic financial statements. We issued our report thereon dated November 6, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

November 6, 2015

JPW/sb

Henderson County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2015

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	\$ 130,467 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	406,174
National School Lunch Program	10.555	N/A	999,095 (3)
Summer Food Service Program for Children	10.559	N/A	<u>12,246</u>
Total U.S. Department of Agriculture			<u>\$ 1,547,982</u>
U.S. Department of Defense:			
Passed-through State Department of General Services:			
Section 1033 Excess Property Program	12.Unknown	(2)	\$ 41,232
Total U.S. Department of Defense			<u>\$ 41,232</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	35533	\$ 3,858
Total U.S. Department of Housing and Urban Development			<u>\$ 3,858</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(2)	\$ 9,350
Total U.S. Department of Justice			<u>\$ 9,350</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	Z15GHS155	\$ 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	(2)	\$ 221,704
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	722,675
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	833,218
Special Education - Preschool Grants	84.173	N/A	35,734
Career and Technical Education - Basic Grants to States	84.048	N/A	71,056
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	N/A	122,499
Rural Education	84.358	N/A	71,888
English Language Acquisition State Grants	84.365	N/A	835
Improving Teacher Quality State Grants	84.367	N/A	104,960
Passed-through State Department of Human Services:			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	(2)	28,178
Total U.S. Department of Education			<u>\$ 2,212,747</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	(2)	\$ 30,000
Assistance to Firefighters Grant	97.044	(2)	217,360
Total U.S. Department of Homeland Security			<u>\$ 247,360</u>
Total Expenditures of Federal Awards			<u>\$ 4,067,529</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
Litter Program - State Department of Transportation	N/A	(2)	\$ 40,559
Health Department Building Grant - State Department of Health	N/A	(2)	52,500
Coordinated School Health - State Department of Education	N/A	(2)	90,662
ACT/Explore - State Department of Education	N/A	(2)	6,130
Connectenn - State Department of Education	N/A	(2)	11,219
Safe Schools - State Department of Education	N/A	(2)	22,730
Early Childhood Education - State Department of Education	N/A	(2)	<u>505,285</u>
Total State Grants			<u>\$ 729,085</u>

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total for CFDA No. 10.555 is \$1,129,562.

Henderson County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2015

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Henderson County, Tennessee, for the year ended June 30, 2014, which have not been corrected.

OFFICE OF FINANCE DIRECTOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2014-003	153	Designated situs-based taxes were inadequate to fund rural fire protection
2014-006	155	Amounts withheld from contractor payments were not deposited into an escrow account

OFFICES OF COUNTY CLERK AND CIRCUIT COURT CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2014-010	157	Excess fees were not reported and paid to the county in compliance with state statute

OFFICE OF CLERK AND MASTER

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2014-011	157	Multiple employees operated from the same cash drawer

OFFICES OF FINANCE DIRECTOR, COUNTY CLERK, AND SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2014-012	158	Duties were not segregated adequately

HENDERSON COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2015

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Henderson County is unmodified.
2. The audit of the financial statements of Henderson County disclosed significant deficiencies in internal control. None of these deficiencies was considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Henderson County.
4. The audit reported no significant deficiencies in internal control over major programs.
5. An unmodified opinion was issued on compliance for major programs.
6. The audit revealed no findings that were required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children (CFDA Nos. 10.553, 10.555, and 10.559) and the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Henderson County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination and the annual monitoring by the state Division of Property Assessments on assessors of property, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response; however, management did not provide responses for inclusion in this report.

OFFICE OF FINANCE DIRECTOR

FINDING 2015-001 **DESIGNATED SITUS-BASED TAXES WERE INADEQUATE TO FUND RURAL FIRE PROTECTION**
(Noncompliance Under *Government Auditing Standards*)

Henderson County has used questionable methods of funding rural fire protection since 1994. Effective May 1999, counties have been authorized to fund rural fire protection services with designated situs-based taxes. In 2001, the Henderson County Commission designated certain situs-based taxes in the General Fund to be used to fund rural fire protection. Only once in the last 13 years has the collections from these situs-based taxes been sufficient to cover the expenditures for rural fire protection.

During the 2014-15 year, Henderson County expended \$285,737 from the General Fund to provide fire protection service to rural areas of the county. However, the situs-based taxes totaled \$257,362 for the year and were not sufficient to cover the operating expenditures of \$285,737. Therefore, property taxes of all county citizens, living both inside and outside the City of Lexington, helped to fund this service. Citizens living within the City of Lexington paid for fire protection service in both the city and rural areas. This deficiency continues to exist due to management's failure to correct the deficiency noted in prior-year audit reports.

RECOMMENDATION

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

FINDING 2015-002 **AMOUNTS WITHHELD FROM CONTRACTOR PAYMENTS WERE NOT DEPOSITED INTO AN ESCROW ACCOUNT**
(Noncompliance Under *Government Auditing Standards*)

The office did not deposit amounts withheld from contractor payments into an escrow account related to construction contracts of \$1,817,544 and \$2,461,487 for school renovations and additions. Section 66-34-104, *Tennessee Code Annotated*, requires that funds withheld from contractor payments be deposited into an escrow account with a third party for contracts of \$500,000 or more. This deficiency could result in the loss of interest

earnings. This deficiency exists because management failed to correct the finding noted in the prior-year audit report.

RECOMMENDATION

Amounts withheld from contractor payments on contracts of \$500,000 or more should be deposited into an escrow account in compliance with state statute.

OFFICE OF ASSESSOR OF PROPERTY

FINDING 2015-003

THE ASSESSOR DID NOT ADEQUATELY MAINTAIN ASSESSMENT MAPS

(Noncompliance Under *Government Auditing Standards*)

The assessor did not adequately maintain the assessment maps. During the monitoring of the assessor's mapping by the state Division of Property Assessments, numerous errors were discovered. These errors included inaccurate placement of parcel lines, inaccurate calculation of lot sizes, properties not properly identified or mapped, and duplications. Mapping procedures are outlined in the Division of Property Assessment's *Basic Mapping Manual*. This deficiency can be attributed to management's failure to follow proper mapping procedures and a lack of internal controls to ensure accurate assessments. These errors could result in the inaccurate assessment of properties.

RECOMMENDATION

The assessor should ensure all staff members who map properties are properly trained. Also, the assessor should have an adequate system of internal controls to ensure properties are properly mapped for a fair and equitable assessment.

OFFICES OF COUNTY CLERK AND CIRCUIT COURT CLERK

FINDING 2015-004

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

(Material Noncompliance Under *Government Auditing Standards*)

The county clerk and circuit court clerk did not report and pay excess fees to the county in compliance with Section 8-22-104, *Tennessee Code Annotated*. This statute requires excess fees to be reported and paid to the county quarterly and authorizes the clerks to retain sufficient fees to operate their offices for three months. Excess fees retained in these offices exceeded statutory limits for each quarter covered by our examination. The county clerk paid excess fees of \$211,199 to the county during the period under examination; however excess fees totaled \$283,101 on June 30, 2015, and were approximately \$227,200 more than

the amount permitted by state statute. The circuit court clerk paid excess fees of \$100,000 to the county during the period under examination; however excess fees totaled \$341,897 on June 30, 2015, and were approximately \$256,000 more than the amount permitted by state statute. Therefore, approximately \$483,200 (\$227,200 plus \$256,000) is due to the county's General Fund, which could be used to pay county expenses. This deficiency exists because management failed to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

OFFICE OF CLERK AND MASTER

FINDING 2015-005

MULTIPLE EMPLOYEES OPERATED FROM THE SAME CASH DRAWER

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

Multiple employees operated from the same cash drawer in the Office of Clerk and Master. Good internal controls dictate that each employee have their own cash drawer, start the day with a standard fixed amount of cash, and remove all but the beginning amount at the end of the day. This amount should be verified to the employee's receipts at the end of each day. Failure to adhere to this control regimen greatly increases the risk that a cash shortage may not be detected in a timely manner. Furthermore, in the event of a cash shortage, the official would not be able to determine who was responsible for the shortage because multiple employees were working from one cash drawer. This deficiency has been a management decision by the official resulting in a loss of control over assets. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

The clerk and master should assign each employee their own cash drawer.

OFFICES OF FINANCE DIRECTOR, COUNTY CLERK, AND SHERIFF

FINDING 2015-006

DUTIES WERE NOT SEGREGATED ADEQUATELY

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

Duties were not segregated adequately among the officials and employees in the Offices of Finance Director, County Clerk, and Sheriff. Officials and employees responsible for maintaining the accounting records in these offices were also involved in receipting, depositing, disbursing, and/or reconciling bank statements. Accounting standards provide

that internal controls be designed to provide reasonable assurance of the reliability in financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

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

There were no findings and questioned costs for federal awards.

**HENDERSON COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2015**

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