OFFICIAL STATEMENT

NEW ISSUE
BOOK-ENTRY-ONLY

Rating: S&P – "A+"
(See "MISCELLANEOUS-Rating" herein)

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the County, as hereafter defined, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading "LEGAL MATTERS – Tax Matters" herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See "LEGAL MATTERS -Tax Matters" herein.)

$2,310,000
HENDERSON COUNTY, TENNESSEE
General Obligation Bonds, Series 2018

Dated: August 15, 2018. Due: April 1, as shown below.

The $2,310,000 General Obligation Bonds, Series 2018 (the "Bonds") are issuable in fully registered form in denominations of $5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of $5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on October 1, 2018 and thereafter on each April 1 and October 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the "Registration Agent"). In the event of discontinuation of the book-entry-only system, principal of and interest on the Bonds are payable at the designated corporate trust office of the Registration Agent.

The Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the County. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the County are irrevocably pledged. See section entitled "SECURITIES OFFERED – Security".

The Bonds maturing April 1, 2025 and thereafter are subject to optional redemption prior to maturity on or after April 1, 2024.

Due (April 1)	Amount	Interest Rate	Yield	CUSIP**	Due (April 1)	Amount	Interest Rate	Yield		CUSIP**
2021	$ 160,000	3.00%	1.85%	425002 SS2	2025	$ 170,000	2.50%	2.35%	c	425002 SW3
2022	155,000	3.00	2.00	425002 ST0	2032	200,000	3.00	3.00		425002 TD4
2023	160,000	3.00	2.15	425002 SU7	2033	205,000	3.05	3.05		425002 TE2
2024	165,000	3.00	2.25	425002 SV5						

$345,000	3.00%	Term Bond Due	April 1, 2027	@ 2.65% c	425002 SY9
$365,000	3.00%	Term Bond Due	April 1, 2029	@ 2.80% c	425002 TA0
$385,000	3.00%	Term Bond Due	April 1, 2031	@ 2.90% c	425002 TC6

c = Yield to call on April 1, 2024.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire OFFICIAL STATEMENT to obtain information essential to make an informed investment decision.

The Bonds are offered when, as and if issued, subject to the approval of the legality thereof by Bass, Berry & Sims PLC, Knoxville and Nashville, Tennessee, Bond Counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon for the County by Samuel W. Hinson, Esq., counsel to the County. It is expected that the Bonds will be available for delivery through the facilities of Depository Trust Company in New York, New York, on or about August 15, 2018.

Cumberland Securities Company, Inc.
Financial Advisor

July 25, 2018

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

This Official Statement may contain forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this Official Statement. The Issuer disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

This Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Issuer, the Bonds, the Resolution, the Disclosure Certificate, and the security and sources of payment for the Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions and statutes, the Resolution, the Disclosure Certificate, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents and laws, and references herein to the Bonds are qualified in their entirety to the forms thereof included in the Bond Resolution.

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, in reliance on exemptions contained in such Acts. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

No dealer, broker, salesman, or other person has been authorized by the Issuer, the Financial Advisor or the Underwriter to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Issuer, the Financial Advisor or the Underwriter. Except where otherwise indicated, all information contained in this Official Statement has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Financial Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

** These CUSIP numbers have been assigned by S&P CUSIP Service Bureau, a division of the McCraw-Hill Companies, Inc., and are included solely for the convenience of the Bond holders. The County is not responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Bonds or as indicated herein.

HENDERSON COUNTY, TENNESSEE

OFFICIALS

Dan Hughes	*County Mayor*
Lee Wilkinson	*Finance Director*
Carolyn Holmes	*County Clerk*
Samuel W. Hinson	*County Attorney*

COUNTY COMMISSIONERS

Celia Barrow
Todd Beecham
Daniel Clark
Jeff James
Vaughn Maness
Susan Montgomery
Tommy Page
Wanda Powers
Tim Rogers
Joe Ross
Larry Stanfill
Harold Tyler
Aaron Wood
Roy Woods

UNDERWRITER

FTN Financial Capital Markets
Memphis, Tennessee

BOND REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC
Knoxville and
Nashville, Tennessee

FINANCIAL ADVISOR

Cumberland Securities Company, Inc.
Knoxville, Tennessee

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APPENDIX B: SUPPLEMENTAL INFORMATION STATEMENT

SUMMARY STATEMENT

The information set forth below is provided for convenient reference and does not purport to be complete and is qualified in its entirety by the information and financial statements appearing elsewhere in this *Official Statement*. This Summary Statement shall not be reproduced, distributed or otherwise used except in conjunction with the remainder of this *Official Statement.*

The Issuer	Henderson County, Tennessee (the "County" or "Issuer"). See APPENDIX B contained herein.
Securities Offered..........................	$2,310,000 General Obligation Bonds, Series 2018 (the "Bonds") of the County, dated the date of issuance August 15, 2018. The Bonds mature each April 1 beginning April 1, 2021 through April 1, 2025, inclusive; April 1, 2027, April 1, 2029, April 1, 2031 and April 1, 2032 through April 1, 2033, inclusive. See the section entitled "SECURITIES OFFERED" herein for additional information.
Security	The Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the County. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the County are irrevocably pledged.
Purpose	The Bonds are being issued for the purpose of (i) the acquisition of vehicles and equipment, including but not limited to public works vehicles, public safety vehicles and equipment to include, but not be limited to, fire truck(s) and highway equipment; (ii) the construction and improvement of highways, streets and roads (collectively, the "Projects"); and (iii) payment of the costs related to the issuance and sale of the Bonds. See the section entitled "SECURITIES OFFERED - Authority and Purpose" contained herein.
Optional Redemption	The Bonds maturing April 1, 2025 and thereafter are subject to optional redemption prior to maturity on or after April 1, 2024. See the section entitled "SECURITIES OFFERED – Optional Redemption".
Tax Matters....................................	In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the County, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading "LEGAL MATTERS – Tax Matters" herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See "LEGAL MATTERS -Tax Matters" herein.)
Bank Qualification.......................	The Bonds will be treated as "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled "LEGAL MATTERS - Tax Matters" for additional information.
Rating...	S&P: "A+". See the section entitled "MISCELLANEOUS - Rating" for more information.
Financial Advisor	Cumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled "MISCELLANEOUS-Financial Advisor; Related parties; Other" herein.
Underwriter....................................	FTN Financial Capital Markets, Memphis, Tennessee.
Bond Counsel	Bass, Berry & Sims PLC, Knoxville and Nashville, Tennessee.

Book-Entry Only .... The Bonds will be issued under the Book-Entry-Only System except as otherwise described herein. For additional information, see the section entitled "BASIC DOCUMENTATION - Book-Entry-Only System"

Registration Agent......................... Regions Bank, Nashville, Tennessee.

General... The Bonds are being issued in full compliance with applicable provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as supplemented and revised. See "SECURITIES OFFERED" herein. The Bonds will be issued with CUSIP numbers and delivered through the facilities of The Depository Trust Company, New York, New York.

Disclosure .... In accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as amended, the County will provide the Municipal Securities Rulemaking Board (the "MSRB") through the operation of the Electronic Municipal Market Access system ("EMMA") and the State Information Depository ("SID"), if any, annual financial statements and other pertinent credit or event information, including Comprehensive Annual Financial Reports, see the section entitled "MISCELLANEOUS-Continuing Disclosure."

Other Information.......................... The information in this *Official Statement* is deemed "final" within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof. For more information concerning the County or this *Official Statement*, contact Dan Hughes, County Mayor, 17 Monroe Avenue #4, Lexington, TN 38351, (731) 968-0122; or the County's Financial Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663.

GENERAL FUND BALANCES

For the Fiscal Year Ended June 30

	2013	**2014**	**2015**	**2016**	**2017**
Beginning Fund Balance	$2,305,744	$2,725,719	$3,644,538	$4,057,271	$4,210,737
Revenues	8,065,850	9,401,504	8,965,269	9,380,877	99,243,980
Expenditures	7,961,872	8,495,093	8,770,699	9,644,496	9,624,422
Other Financing Sources:					
Transfers In	-	-	-	410,000	-
Transfers Out	-	-	-	-	-
Notes Proceeds	-	-	-	-	-
Insurance Recovery	315,997	12,408	218,163	7,085	91,540
Net Change in Fund Balances	419,975	918,819	412,733	153,466	(288,902)
Ending Fund Balance	**$2,725,719**	**$3,644,538**	**$4,057,271**	**$4,210,737**	**$3,921,835**

Source: Comprehensive Annual Financial Reports of Henderson County, Tennessee.

$2,310,000
HENDERSON COUNTY, TENNESSEE
General Obligation Bonds, Series 2018

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This OFFICIAL STATEMENT which includes the Summary Statement hereof and appendices hereto, is furnished in connection with the offering by Henderson County, Tennessee (the "County") of $2,310,000 General Obligation Bonds, Series 2018 (the "Bonds").

The Bonds are authorized to be issued pursuant to the provisions of Sections 9-21-101 et. seq., *Tennessee Code Annotated*, and other applicable provisions of law and pursuant to a resolution duly adopted by the Board of Commissioners of the County on June 21, 2018 (the "Resolutions").

The Bonds are being issued for the purpose of (i) the acquisition of vehicles and equipment, including but not limited to public works vehicles, public safety vehicles and equipment to include, but not be limited to, fire truck(s) and highway equipment; (ii) the construction and improvement of highways, streets and roads (collectively, the "Projects"); and (iii) payment of the costs related to the issuance and sale of the Bonds.

DESCRIPTION OF THE BONDS

The Bonds will be dated and bear interest from their date of issuance and delivery August 15, 2018. Interest on the Bonds will be payable semi-annually on April 1 and October 1, commencing October 1, 2018. The Bonds are issuable in book-entry-only form in $5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

The Bonds shall be signed by the County Mayor and shall be attested by the County Clerk. No Bond shall be valid until it has been authorized by the manual signature of an authorized officer or employee of the Registration Agent and the date of the authentication noted thereon.

SECURITY

The Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the County. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the County are irrevocably pledged.

The County, through its governing body, shall annually levy and collect a tax on all taxable property within the County, in addition to all other taxes authorized by law, sufficient to pay the principal of and interest on the Bonds when due. Principal and interest on the Bonds falling due at any time when there are insufficient funds from such tax shall be paid from the current funds of the County and reimbursement therefore shall be made out of taxes provided by the Resolution when the same shall have been collected. The taxes may be reduced to the extent of direct appropriations from the General Fund of the County to the payment of debt service on the Bonds.

The Bonds are not obligations of the State of Tennessee (the "State") or any political subdivision thereof other than the County.

QUALIFIED TAX-EXEMPT OBLIGATIONS

Under the Internal Revenue Code of 1986, as amended (the "Code"), in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain "qualified tax-exempt obligations," as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the County as to the Bonds, Bond Counsel has determined that the Bonds upon issuance will be "qualified tax-exempt obligations" within the meaning of the Code.

OPTIONAL REDEMPTION OF THE BONDS

The Bonds maturing April 1, 2025 and thereafter are subject to optional redemption prior to maturity on or after April 1, 2024 at a redemption price of par plus accrued interest.

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be designated by the Board of County Commissioners, in its discretion. If less than all the principal amount of the Bonds of a maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

(i) if the Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the amount of the interest of each DTC Participant in the Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

(ii) if the Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

MANDATORY REDEMPTION

Subject to the credit hereinafter provided, the County shall redeem Bonds maturing April 1, 2027, April 1, 2029 and April 1, 2031 on the redemption dates set forth below opposite the maturity date, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. The Bonds to be so redeemed within a maturity shall be selected in the manner described above relating to optional redemption.

The dates of redemption and principal amount of Bonds to be redeemed on said dates are as follows:

Maturity	Redemption Date	Principal Amount of Bonds Redeemed
April 1, 2027	April 1, 2026	$170,000
	April 1, 2027*	$175,000
April 1, 2029	April 1, 2028	$180,000
	April 1, 2029*	$185,000
April 1, 2031	April 1, 2030	$190,000
	April 1, 2031*	$195,000

*Final Maturity

At its option, to be exercised on or before the forty-fifth (45) day next preceding any such redemption date, the County may (i) deliver to the Registration Agent for cancellation Bonds of the maturity to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation for any Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this section) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation. Each Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the County on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Bonds to be redeemed by operation shall be accordingly reduced. The County shall on or before the forty-fifth (45) day next preceding each payment date furnish the Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) described above are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

NOTICE OF REDEMPTION

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the County not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to affect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the County nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the County pursuant to written instructions from an authorized representative of the County (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the County to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

PAYMENT OF BONDS

The Bonds will bear interest from their date or from the most recent interest payment date to which interest has been paid or duly provided for, on the dates provided herein, such interest being computed upon the basis of a 360-day year of twelve 30-day months. Interest on each Bond shall be paid by check or draft of the Registration Agent to the person in whose name such Bond is registered at the close of business on the 15th day of the month next preceding the interest payment date. The principal of and premium, if any, on the Bonds shall be payable in lawful money of the United States of America at the principal corporate trust office of the Registration Agent.

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BASIC DOCUMENTATION

REGISTRATION AGENT

The Registration Agent, Regions Bank, Nashville, Tennessee, its successor or the County will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent, except as follows.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. For additional information, see the following section.

BOOK-ENTRY-ONLY SYSTEM

The Registration Agent, its successor or the Issuer will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the "Regular Record Date") by check or draft mailed to such owner at its address shown on said Bond registration records, without, except for final payment, the presentation or surrender of such registered Bonds, and all such payments shall discharge the obligations of the Issuer in respect of such Bonds to the extent of the payments so made, except as described above. Payment of principal of the Bonds shall be made upon presentation and surrender of such Bonds to the Registration Agent as the same shall become due and payable.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

The Bonds, when issued, will be registered in the name of Cede & Co., DTC's partnership nominee, except as described above. When the Bonds are issued, ownership interests will be available to purchasers only through a book entry system maintained by DTC (the "Book-Entry-Only System"). One fully registered bond certificate will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC.

DTC and its Participants. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry-only transfers and pledges between

Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchase of Ownership Interests. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry-only system for the Bonds is discontinued.

Payments of Principal and Interest. Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Registration Agent on the payable date in accordance with their respective holdings shown on DTC's records, unless DTC has reason to believe it will not receive payment on such date. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Issuer or the Registration Agent subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, tender price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registration Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds f or their benefit has agreed to obtain and transmit notices to Beneficial

Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NONE OF THE ISSUER, THE UNDERWRITER, THE BOND COUNSEL, THE FINANCIAL ADVISOR OR THE REGISTRATION AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENT TO, OR THE PROVIDING OF NOTICE FOR, SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES.

Transfers of Bonds. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

None of the Issuer, the Bond Counsel, the Registration Agent, the Financial Advisor or the Underwriter will have any responsibility or obligation, legal or otherwise, to any party other than to the registered owners of any Bond on the registration books of the Registration Agent.

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

In the event that (i) DTC determines not to continue to act as securities depository for the Bonds or (ii) to the extent permitted by the rules of DTC, the County determines to discontinue the Book-Entry-Only System, the Book-Entry-Only System shall be discontinued. Upon the occurrence of the event described above, the County will attempt to locate another qualified securities depository, and if no qualified securities depository is available, Bond certificates will be printed and delivered to Beneficial Owners.

No Assurance Regarding DTC Practices. The foregoing information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the County believes to be reliable, but the County, the Bond Counsel, the Registration Agent and the Financial Advisor do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds. None of the County, the Bond Counsel, the Registration Agent or the Financial Advisor will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the Beneficial Owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

For more information on the duties of the Registration Agent, please refer to the Resolution. Also, please see the section entitled "SECURITIES OFFERED – Redemption."

DISPOSITION OF BOND PROCEEDS

The proceeds of the sale of the Bonds shall be applied by the County as follows:

(a) the proceeds of the sale of the Bonds shall be deposited with a financial institution regulated by the Federal Deposit Insurance Corporation or similar federal agency in a special fund known as the 2018 Construction Fund (the "Construction Fund"), or such other designation as shall be determined by the County Mayor to be kept separate and apart from all other funds of the County. The County shall disburse funds in the Construction Fund to pay costs of issuance of the Bonds, including necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, administrative and clerical costs, Registration Agent fees, bond insurance premiums, if any, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds. Notwithstanding the foregoing, costs of issuance of the Bonds may be withheld from the good faith deposit or purchase price of the Bonds and paid to the Financial Advisor to be used to pay costs of issuance of the Bonds. The remaining funds in the Construction Fund shall be disbursed solely to pay the costs of the Projects and to reimburse the County for any funds previously expended for costs of the Projects. Money in the Construction Fund shall be invested in such investments as shall be permitted by applicable law.

DISCHARGE AND SATISFACTION OF BONDS

If the County shall pay and discharge the indebtedness evidenced by any of the Bonds in any one or more of the following ways:

1. By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;

2. By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers ("an Agent"; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, as hereafter defined, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof,

proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice); or

3. By delivering such Bonds to the Registration Agent, for cancellation by it;

and if the County shall also pay or cause to be paid all other sums payable hereunder by the County with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such Escrow Agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the County to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

If the County shall pay and discharge the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations deposited as aforesaid.

Except as otherwise described below, neither Defeasance Obligations nor moneys deposited with the Registration Agent pursuant to this Section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the County as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the County, as received by the Registration Agent. For the purposes described above, Defeasance Obligations shall direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, obligations of any agency or instrumentality of the United States or any other obligations at the time of the purchase thereof are permitted investments under Tennessee law for the purposes described herein, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

REMEDIES OF BONDHOLDERS

Under Tennessee law, any Bondholder has the right, in addition to all other rights:

(1) By mandamus or other suit, action or proceeding in any court of competent jurisdiction to enforce its rights against the County, including, but not limited to, the right to require the County to assess, levy and collect taxes adequate to carry out any agreement as to, or pledge of, such taxes, fees, rents, tolls, or other charges, and to require the County to carry out any other covenants and agreements, or

(2) By action or suit in equity, to enjoin any acts or things which may be unlawful or a violation of the rights of such Bondholder.

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LEGAL MATTERS

LITIGATION

There are no suits threatened or pending challenging the legality or validity of the Bonds or the right of the County to sell or issue the Bonds.

TAX MATTERS

Federal

General. Bass, Berry & Sims PLC, Knoxville and Nashville, Tennessee, is Bond Counsel for the Bonds. Their opinion under existing law, relying on certain statements by the County and assuming compliance by the County with certain covenants, is that interest on the Bonds:

- is excluded from a bondholder's federal gross income under the Internal Revenue Code of 1986, as amended (the "Code"),
- is not a preference item for a bondholder under the federal alternative minimum tax.

The Code imposes requirements on the Bonds that the County must continue to meet after the Bonds are issued. These requirements generally involve the way that Bond proceeds must be invested and ultimately used. If the County does not meet these requirements, it is possible that a bondholder may have to include interest on the Bonds in its federal gross income on a retroactive basis to the date of issue. The County has covenanted to do everything necessary to meet these requirements of the Code.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Bonds. This is possible if a bondholder is:

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit or
- a borrower of money to purchase or carry the Bonds.

If a bondholder is in any of these categories, it should consult its tax advisor.

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the Bonds or affect the market price of the Bonds. See also section "CHANGES IN FEDERAL AND STATE TAX LAW" below.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Bonds, or under State, local or foreign tax law.

Bond Premium. If a bondholder purchases a Bond for a price that is more than the principal amount, generally the excess is "bond premium" on that Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondholder's tax basis in that Bond will be reduced. The holder of a Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Bond with bond premium, even though the Bond is sold for an amount less than or equal to the owner's original cost. If a bondholder owns any Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

Original Issue Discount. A Bond will have "original issue discount" if the price paid by the original purchaser of such Bond is less than the principal amount of such Bond. Bond Counsel's opinion is that any original issue discount on these Bonds as it accrues is excluded from a bondholder's federal gross income under the Internal Revenue Code. The tax accounting treatment of original issue discount is complex. It accrues on an actuarial basis and as it accrues a bondholder's tax basis in these Bonds will be increased. If a bondholder owns one of these Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount

Qualified Tax-Exempt Obligations. Under the Code, in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain "qualified tax-exempt obligations", as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the County as to the Bonds, Bond Counsel has determined that the Bonds, upon issuance, will be "qualified tax-exempt obligations" within the meaning of the Code.

Information Reporting and Backup Withholding. Information reporting requirements apply to interest on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

State Taxes

Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on interest on the Bonds during the period the Bonds are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

CHANGES IN FEDERAL AND STATE TAX LAW

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the County will execute in a form satisfactory to Bond Counsel, certain closing certificates including the following: (i) a certificate as to the *Official Statement*, in final form, signed by the County Mayor acting in his official capacity to the effect that to the best of his knowledge and belief, and after reasonable investigation, (a) neither the *Official Statement*, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the *Official Statement*, in final form, no event has occurred which should have been set forth in such a memo or supplement, (c) there has been no material adverse change in the operation or the affairs of the County since the date of the *Official Statement,* in final form, and having attached thereto a copy of the *Official Statement*, in final form, and (d) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) certificates as to the delivery and payment, signed by the County Mayor acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the County Mayor and County Clerk acting in their official capacities certifying as to the due execution of the Bonds; and, (iv) a Continuing Disclosure Certificate regarding certain covenants of the County concerning the preparation and distribution of certain annual financial information and notification of certain material events, if any.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters relating to the authorization and the validity of the Bonds are subject to the approval of Bass, Berry & Sims PLC, Knoxville and Nashville, Tennessee, Bond Counsel. Bond Counsel has not prepared the *Preliminary Official Statement* or the *Official Statement*, in final form, or verified their accuracy, completeness or fairness. Accordingly, Bond Counsel expresses no opinion of any kind concerning the *Preliminary Official Statement* or *Official Statement*, in final form, except for the information in the section entitled "LEGAL MATTERS - Tax Matters." The opinion of Bond Counsel will be limited to matters relating to authorization and validity of the Bonds and to the tax-exemption of interest on the Bonds under present federal income tax laws, both as described above. The legal opinion will be delivered with the Bonds and the form of the opinion is included in APPENDIX A. For additional information, see the section entitled "MISCELLANEOUS – "Competitive Public Sale", "Additional Information" and "Continuing Disclosure."

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MISCELLANEOUS

RATING

S&P Global Ratings ("S&P") has given the Bonds the rating of "A+".

There is no assurance that such rating will continue for any given period of time or that the rating may not be suspended, lowered or withdrawn entirely by S&P, if circumstances so warrant. Due to the ongoing uncertainty regarding the economy and debt of the United States of America, including, without limitation, the general economic conditions in the country, and other political and economic developments that may affect the financial condition of the United States government, the United States debt limit, and the bond ratings of the United States and its instrumentalities, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for, and ratings, liquidity, and market value of outstanding debt obligations, including the Bonds. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market price of the Bonds.

The rating reflects only the views of S&P and any explanation of the significance of such rating should be obtained from S&P.

COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on July 25, 2018. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated July 13, 2018.

The successful bidder for the Bonds was an account led by FTN Financial Capital Markets, Memphis, Tennessee (the "Underwriters") who contracted with the County, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of $2,325,032.75 (consisting of the par amount of the Bonds, plus an original issue premium of $35,894.20 and less an underwriter's discount of $20,861.45) or 100.651% of par.

FINANCIAL ADVISOR; RELATED PARTIES; OTHER

Financial Advisor. Cumberland Securities Company, Inc., Knoxville, Tennessee, has served as financial advisor (the "Financial Advisor") to the County for purposes of assisting with the development and implementation of a bond structure in connection with the issuance of the Bonds. The Financial Advisor has not been engaged by the County to compile, create, or interpret any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT relating to the County, including without limitation any of the County's financial and operating data, whether historical or projected. Any information contained in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT concerning the County, any of its affiliates or contractors and any outside parties has not been independently verified by the Financial Advisor, and inclusion of such information is not, and should not be construed as, a representation by the Financial Advisor as to its accuracy or completeness or otherwise. The Financial Advisor is not a public accounting firm and has not been engaged by the County to review or audit any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT in accordance with accounting standards.

Regions Bank. Regions Bank (the "Bank") is a wholly-owned subsidiary of Regions Financial Corporation. The Bank provides, among other services, commercial banking, investments and corporate trust services to private parties and to State and local jurisdictions, including serving as registration, paying agent or filing agent related to debt offerings. The Bank will receive compensation for its role in serving as Registration and Paying Agent for the Bonds. In instances where the Bank serves the County in other normal commercial banking capacities, it will be compensated separately for such services.

Official Statement. Certain information relative to the location, economy and finances of the Issuer is found in the PRELIMINARY OFFICIAL STATEMENT, in final form and the OFFICIAL STATEMENT, in final form. Except where otherwise indicated, all information contained in this Official Statement has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Financial Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

Cumberland Securities Company, Inc. distributed the PRELIMINARY OFFICIAL STATEMENT, in final form, and the OFFICIAL STATEMENT, in final form on behalf of the County and will be compensated and/or reimbursed for such distribution and other such services.

Bond Counsel. From time to time, Bass, Berry & Sims PLC has represented the Bank on legal matters unrelated to the County and may do so again in the future.

Other. Among other services, Cumberland Securities Company, Inc. and the Bank may also assist local jurisdictions in the investment of idle funds and may serve in various other capacities, including Cumberland Securities Company's role as serving as the County's Dissemination Agent. If the County chooses to use one or more of these other services provided by Cumberland Securities Company, Inc. including Dissemination Agent and/or the Bank, then Cumberland Securities Company, Inc. and/or the Bank may be entitled to separate compensation for the performance of such services.

ADDITIONAL DEBT

The County has not authorized any additional debt. However, the County has ongoing capital needs that may or may not require the issuance of additional debt. The County may also authorize the issuance of additional refundings of outstanding debt as savings opportunities arise.

DEBT LIMITATIONS

Pursuant to Title 9, Chapter 21, *Tennessee Code Annotated*, as amended, there is no limit on the amount of bonds that may be issued when the County uses the statutory authority granted therein to issue bonds. (see "DEBT STRUCTURE - Indebtedness and Debt Ratios" for additional information.)

DEBT RECORD

There is no record of a default on principal and interest payments by the County from information available. Additionally, no agreements or legal proceedings of the County relating to securities have been declared invalid or unenforceable.

CONTINUING DISCLOSURE

The County will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information relating to the County by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2018 (the "Annual Report"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the County. The issuer will provide notice in a timely manner to the MSRB of a failure by the County to provide the annual financial information on or before the date specified in the continuing disclosure agreement. The Annual Report (and audited financial statements if filed separately) and notices described above will be filed by the County with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12").

Five-Year History of Filing. While it is believed that all appropriate filings were made with respect to the ratings of the County's outstanding bond issues, some of which were insured by the various municipal bond insurance companies, no absolute assurance can be made that all such rating changes of the bonds or various insurance companies which insured some transaction were made or made in a timely manner as required by Rule 15c2-12. The County does not deem any of the forgoing omissions to be material, and therefore, in the judgment of the County, for the past five years, the County has complied in all material respects with its existing continuing disclosure agreements in accordance with Rule 15c2-12.

Content of Annual Report. The County's Annual Report shall contain or incorporate by reference the General Purpose Financial Statements of the County for the fiscal year, prepared in accordance with generally accepted accounting principles, provided, however, if the County's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained herein, and the audited financial statements shall be filed when available.

The Annual Report shall also include in a similar format the following information included in APPENDIX B entitled "SUPPLEMENTAL INFORMATION STATEMENT."

1. Summary of Long-term indebtedness as of the end of such fiscal year as shown on page B-7;

2. The indebtedness and debt ratios as of the end of such fiscal year, together with information about the property tax base as shown on pages B-8 through B-10;

3. Information about the Bonded Debt Service Requirements – General Obligation Debt – Paid from General Fund and Generald Debt Service Fund as of the end of such fiscal year as shown on page B-11;

4. Bonded Debt Service Requirements – Rural School Debt for the fiscal year as shown on page B-12;

5. Bonded Debt Service Requirements – General Purpose School Fund for the fiscal year as shown on page B-13;

6. The fund balances and retained earning for the fiscal year as shown on page B-14;

7. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-15;

8. The estimated assessed value of property in the County for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year as shown on page B-21;

9. Property tax rates and tax collections of the County for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year as shown on page B-21; and

10. The ten largest taxpayers as shown on page B-22.

Any or all of the items above may be incorporated by reference from other documents, including Official Statements in final form for debt issues of the County or related public entities, which have been submitted to each of the Repositories or the U.S. Securities and Exchange Commission. If the document incorporated by reference is a final Official Statement, in final form, it will be available from the Municipal Securities Rulemaking Board. The County shall clearly identify each such other document so incorporated by reference.

Reporting of Significant Events. The County will file notice regarding material events with the MSRB and the SID, if any, as follows:

1. Upon the occurrence of a Listed Event (as defined in (3) below), the County shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any.

2. For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the County shall determine the materiality of such event as soon as possible after learning of its occurrence.

3. The following are the Listed Events:

   a. Principal and interest payment delinquencies;

   b. Non-payment related defaults, if material;

   c. Unscheduled draws on debt service reserves reflecting financial difficulties;

   d. Unscheduled draws on credit enhancements reflecting financial difficulties;

   e. Substitution of credit or liquidity providers, or their failure to perform;

   f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

   g. Modifications to rights of Bondholders, if material;

   h. Bond calls, if material, and tender offers;

   i. Defeasances;

   j. Release, substitution, or sale of property securing repayment of the securities, if material;

   k. Rating changes;

   l. Bankruptcy, insolvency, receivership or similar event of the obligated person;

   m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

   n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Termination of Reporting Obligation. The County's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

Amendment; Waiver. Notwithstanding any other provision of the Disclosure Certificate, the County may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions concerning the Annual Report and Reporting of Significant Events it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Default. In the event of a failure of the County to comply with any provision of the Disclosure Certificate, any Bondholder or any beneficial owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an event of default, if any, under the Resolution, and the sole remedy under the Disclosure Certificate in the event of any failure of the County to comply with the Disclosure Certificate shall be an action to compel performance.

ADDITIONAL INFORMATION

Use of the words "shall," "must," or "will" in this Official Statement in summaries of documents or laws to describe future events or continuing obligations is not intended as a representation that such event will occur or obligation will be fulfilled but only that the document or law contemplates or requires such event to occur or obligation to be fulfilled.

Any statements made in this Official Statement involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized. Neither this

Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Bonds.

The references, excerpts and summaries contained herein of certain provisions of the laws of the State of Tennessee, and any documents referred to herein, do not purport to be complete statements of the provisions of such laws or documents, and reference should be made to the complete provisions thereof for a full and complete statement of all matters of fact relating to the Bonds, the security for the payment of the Bonds, and the rights of the holders thereof.

The PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT, in final form, and any advertisement of the Bonds, is not to be construed as a contract or agreement between the County and the purchasers of any of the Bonds. Any statements or information printed in this PRELIMINARY OFFICIAL STATEMENT or the OFFICIAL STATEMENT, in final form, involving matters of opinions or of estimates, whether or not expressly so identified, is intended merely as such and not as representation of fact.

The County has deemed this OFFICIAL STATEMENT as "final" as of its date within the meaning of Rule 15c2-12.

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CERTIFICATION OF THE COUNTY

On behalf of the County, we hereby certify that to the best of our knowledge and belief, the information contained herein as of this date is true and correct in all material respects, and does not contain an untrue statement of material fact or omit to state a material fact required to be stated where necessary to make the statement made, in light of the circumstance under which they were made, not misleading.

/s/ Dan Hughes
County Mayor

ATTEST:

/s/ Carolyn Holmes
County Clerk

APPENDIX A

LEGAL OPINION

LAW OFFICES OF
BASS, BERRY & SIMS PLC
900 SOUTH GAY STREET, SUITE 1700
KNOXVILLE, TENNESSEE 37902

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Henderson County, Tennessee (the "Issuer") of the $2,310,000 General Obligation Bonds, Series 2018 (the "Bonds") dated August 15, 2018. We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding obligations of the Issuer.

2. The resolution of the Board County Commissioners of the Issuer authorizing the Bonds has been duly and lawfully adopted, is in full force and effect and is a valid and binding agreement of the Issuer enforceable in accordance with its terms.

3. The Bonds constitute general obligations of the Issuer to which the Issuer has validly and irrevocably pledged its full faith and credit. The principal of and interest on the Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the Issuer.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4 and Paragraph 6 below, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on all or a portion of the interest on any of the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee.

6. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the resolutions authorizing the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours truly,

Bass, Berry & Sims PLC

APPENDIX B

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

Henderson County (the "County") is located in the western part of the state, 27 miles east of Jackson and 107 miles northeast of Memphis. Carroll County borders the County to the north, Decatur Couty to the east, Chester and Hardin Counties to the south and Madison County to the west. The City of Lexington (the "City") is the county seat. The 2010 Census stated the City's population was 7,393 and the County at 27,769.

TRANSPORTATION

The County is 6 miles from Interstate 40, and is servced by US Highway 412 and State Highways 22, 104, 114, and 224. The nearest port is in New Johnsonville about 53 miles away on the Kentucky Lake.

The Beech River Regional Airport serves the community with a 6,000 square-foot runway. It is one of only six airports in the state that hve 6,000 feet or more of runways. The nearest commercial airport is the McKellar-Sipes Regional Airport in Jackson, Tennessee about 27 miles away.

EDUCATION

The County has two school systems, the Henderson County School System and the Lexington City School System. The *Henderson County School System* is a consolidated system administered by a superintendent and a school board elected by popular vote. There are nine schools: seven elementary schools, two high schools and a juvenile academy with a fall 2016 enrollment of 4,034 students and 272 teachers. Vocational education classes, programs for the mentally disabled and free bus transportation are provided by the country's schools. *The Lexington City School System* has one elementary school and one middle school with a fall 2016 enrollment of 862 students and 75 teachers. The system is a special school district administered by a superintendent and a school board appointed by the City Aldermen.

Source: Tennessee Department of Education.

Jackson State Community College Lexington-Henderson County Center. The Lexington-Henderson County Center of Jackson State opened in April 1999, through the cooperation of Jackson State, the City of Lexington, and Henderson County. The center offers an Associate Degree in General Studies as well as an Associate of Applied Science Degree in Industrial Technology (Industrial Supervision Concentration). Other general education courses are also offered that will meet requirements of additional degrees offered through Jackson State main campus or other universities. Both on-line and video courses are available. Specialized courses in continuing education can be tailored to meet the needs of the community.

Jackson State Community College is located in Madison County and was founded in 1967. Jackson State offers associate degrees, certificates, and enrichment courses as preparation for further higher education and for career entry or advancement. The fall 2016 enrollment was 4,718 students. There are also three satellite campuses: Savannah (Hardin County), Lexington (Henderson County) and Humboldt (Gibson County).

Source: Jackson State Community College.

The Tennessee Technology Center at Jackson Lexington Extension Campus. The Tennessee Technology Center at Jackson is part of a statewide system of 26 vocational-technical schools. The Tennessee Technology Center meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution's primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The Technology Center at Jackson serves the southwest region of the state including Madison, Gibson, Henderson, Crocket and Chester Counties. The Technology Center at Jackson began operations in 1963, and the main campus is located in Madison County. Fall 2015 enrollment was 1,486 students. There are four satellite centers: the McWherter Instructional Service Center in Jackson, the Lexington Extension Campus, Humboldt High School and the Humboldt Instructional Service Center.

Source: Tennessee Technology Center at Jackson.

There are many other opportunites for higher education close to the County. There are several schools in Jackson, located about 28 miles away: Union University, Lambuth College, West Tennessee Business College, Lane College and Tennessee Technology Center. Other schools include Bethel College in McKenzie, Freed Hardeman University in Henderson and University of Tennessee at Martin.

HEALTHCARE

Henderson County Community Hospital. Located in Lexington, Henderson County Community Hospital (the "HCCH") is a 45-bed, full service facility, accredited by the Joint Commission on Accreditation of Healthcare Organizations. There are about 32 active physicians on staff. HCCH had been providing quality care to West Tennessee residents since 1958. The facility has a state-of-the-art Progressive Care Unit, updated surgical suites and complete radiology department. Also located on campus is a modern up to date Physical and Occupational Therapy Department. HCCH offers emergency care, general surgery, vascular and cataract procedures, cardiology services, MRI and CT scans, ultrasound and a full service laboratory and pharmacy on site.

West Tennessee Healthcare North Hospital (the "North Hospital"). Formerly Regional Jackson Hospital, the North Hospital is a 166-bed satellite facility of Jackson-Madison County General Hospital located in Lexington. Critical and special care is available at 662-bed Jackson-Madison County General Hospital located Jackson, 25 miles from Lexington. In 2018 West Tennessee Healthcare purchased the hospital from Tennova Healthcare, along with two other Tennova hospitals in Dyersburg and Martin, for $67 million.

West Tennessee Healthcare is a not-for-profit organization. Totally self-supporting, without need for local tax support, all revenues generated provide for overhead costs including employee expense, debt service, purchase of technology, renovation, expansion, creation of new services, and, most importantly, maintaining the low-cost structure. West Tennessee Healthcare operates seven hospitals. Approximately 7,000 employees make up West Tennessee Healthcare, the majority of whom staff Jackson-Madison County General Hospital.

MANUFACTURING AND COMMERCE

The following is a list of the larger employers located in the County:

Company	Product	Employees
Fluid Routing Solutions	Automotive Hoses	350
Auto Zone	Distribution/Warehouse	350
Johnson Controls	Automotive Seats	350
Henderson County School System*	Education	290
Young Touchstone Inc.	Radiators	240
Nidec Corporation	Elec. Motors and Generators	200
Columbus-McKinnon Corp.	Steel Chains	153
Volvo-Penta Marine Products	Marine Engines	130
NCI Building Systems	Metal Buildings	130
DeWayne’s Quality Metal Coatings	Metal Painting	125
Lexington School System*	Education	85
Falcon Plastics	Injection Molding	55
MIG Steel Fabrication	Steel Fabrication	53
Cooper Container	Corrugated Boxes	50

* *Employment is for Teachers and Administrators only.*
Source: The West Tennessee Industrial Association – 2017.

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EMPLOYMENT

The County's unemployment rate as of May 2018 was 4.2%, representing 11,560 persons employed in a total labor force of 12,070 persons (see following chart).

Unemployment

	Annual Average 2013	Annual Average 2014	Annual Average 2015	Annual Average 2016	Annual Average 2017
National	7.4%	6.2%	5.3%	4.9%	4.4%
Tennessee	7.8%	6.6%	5.6%	4.7%	3.7%
Henderson County	**10.5%**	**8.6%**	**8.0%**	**6.8%**	**5.1%**
Index vs. National	142	139	151	139	116
Index vs. State	135	130	143	145	138

Source: Tennessee Department of Employment Security, CPS Labor Force Estimates Summary.

ECONOMIC DATA

Per Capita Personal Income

	2012	2013	2014	2015	2016
National	$44,282	$44,493	$46,494	$48,451	$49,246
Tennessee	$38,778	$38,814	$40,128	$42,128	$43,326
Henderson County	**$31,127**	**$31,023**	**$31,720**	**$32,073**	**$33,476**
Index vs. National	70%	70%	68%	66%	68%
Index vs. State	80%	80%	79%	76%	77%

Source: U.S. Department of Commerce, Bureau of Economic Analysis

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Social and Economic Characteristics

	National	Tennessee	Henderson County	Lexington
Median Value Owner Occupied Housing	$184,700	$146,000	$94,000	$112,200
% High School Graduates or Higher Persons 25 Years Old and Older	87.0%	86.0%	80.2%	79.8%
% Persons with Income Below Poverty Level	12.7%	15.8%	17.4%	24.5%
Median Household Income	$55,322	$46,574	$41,478	$47,702

Source: U.S. Census Bureau State & County QuickFacts - 2016.

RECREATION

Beech Lake. Beech Lake is located in the heart of Lexington and was formed by the Beech River Watershed Development Authority. The Beech River Watershed Development Authority was created by the 1961 Tennessee Legislature as an agency of the state to produce and coordinate an intensified program aimed at developing the resources of the area. The seven lakes, built by the Authority, provide 3,000 acres of surface area and 100 miles of shoreline for recreational activities. The Lakes are open to the public and provide facilities for public use and enjoyment. Facilities vary from a launching ramp and parking area to a concession-bathhouse building, sand beach, concrete launching ramp, paved parking, picnic tables, playground equipment, and family camping facilities. These lakes and adjacent land are open to fishing, swimming, hunting (in season), boating, hiking and other related outdoor recreation activities. Water skiing is permitted on two lakes.

Natchez Trace State Park and Forest. Natchez Trace State Park includes four lakes, a swimming beach, a 47 room resort inn and restaurant complex, cabins, group lodge, camping areas, picnicking sites, playgrounds, a ball field, a regulation pistol firing range, picturesque hiking trails, a wrangler camp, 250 miles of horse riding trails, a park store, and archery range. This area is composed of a State Park, State Forest and a Wildlife Management Area with a total of 48,000 acres. The Tennessee Division of State Parks, Tennessee Division of Forestry and the Tennessee Wildlife Resources Agency share administration of this area. Natchez Trace State Park is named for the famous "Natchez to Nashville" highway, an important wilderness road during the early 18th century. A western spur of The Trace ran through a portion of what is now the park. Natchez Trace is located in Carroll, Henderson, and Benton counties in West Tennessee. It lies 35 miles east of Jackson off of Interstate 40 between Nashville and Memphis.

Source: Tennessee State Parks.

RECENT DEVELOPMENTS

Adient. Adient, a leading automotive seating manufacturer and supplier, announced in 2018 that it will invest $10.8 million in its Lexington facility that will create 200 new jobs.

Adient plans to upgrade its Henderson County facility, install assembly equipment and expand lines of production. Adient also purchased the Futuris plant in Milan last September before announcing it was closing the plant at the end of 2017, which resulted in 148 layoffs.

Leroy-Somer. Leroy-Somer in Lexington laid off 180 employees in 2017, and then sold its business units to Nidec Corporation, a motor manufacturing company based in Japan, for $1.2 billion in early 2017. Leroy-Somer specialized in industrial alternators and drive systems, electric motors, gearboxes, geared motors and electronic drives. The facility also laid off 180 employees in 2016. The Leroy-Somer plant in Lexington has gone from about 600 employees several years ago to a little over 100 following the layoffs.

Nidec Motor Company. Nidec Motor Company will expand its current operations at the former Leroy-Somer facility. The electric motor manufacturer will create 301 new jobs and invest $18 million in Henderson County. Nidec currently employs more than 200 and will eventually have over 500 employees at the Lexington facility. Nidec is the number one comprehensive maker of electric motors in the world. The company's product lines feature a full range of high efficiency motors, large and small, which serve industrial, residential and commercial markets.

Tennessee State Veterans Cemetery at Parkers Crossroads. The 132-acre cemetery opened in 2018 to serve more than 45,000 veterans and their families within 17 counties in west Tennessee. This is the first rural veterans cemetery for the state, and there are currently two state veterans cemeteries in Knoxville, one in Nashville and one in Memphis. Additionally, there are national cemeteries in Knoxville, Mountain Home, Chattanooga, Nashville and Memphis. In 2011, the Department determined a portion of veterans living between Nashville and Memphis and Knoxville and Nashville did not have access to a veterans cemetery within a 75 mile radius of their communities and families. The National Cemetery Administration awarded $5,754,802.00 in federal funding for the construction of the cemetery, which started in 2016.

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HENDERSON COUNTY, TENNESSEE

Summary of Long Term Indebtedness

AMOUNT ISSUED		PURPOSE	DUE DATE	INTEREST RATE(S)	Estimated As of June 30, 2018 (1) OUTSTANDING
$ 9,500,000		General Obligation Bonds, Series 2008	April 2021	Fixed	$ 2,000,000
5,400,000		General Obligation Bonds, Series 2009	April 2029	Fixed	4,850,000
4,035,000		General Obligation Refunding Bonds, Series 2012	April 2024	Fixed	1,765,000
9,300,000		General Obligation Refunding Bonds, Series 2015	April 2029	Fixed	8,040,000
5,000,000	(2)	Rural School Bonds, Series 2013	April 2029	Fixed	3,575,000
1,934,199	(3)	General Obligation Loan, Series 2010	October 2031	Fixed	1,268,210
$ 35,169,199		**Total Debt**			$ 21,498,210
$ 2,310,000		General Obligation Bonds, Series 2018	April 2033	Fixed	$ 2,310,000
$ 37,479,199		**Total Net Debt**			$ 23,808,210

NOTES:

(1) The above figures may not include any leases or short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

(2) These Bonds are payable from the general obligation pledge of the County lying outside the City of Lexington, Tennessee.

(3) This Loan is payable through the General Purpose School Fund.

HENDERSON COUNTY, TENNESSEE

Indebtedness and Debt Ratios

INTRODUCTION

The information set forth in the following table is based upon information derived in part from the CAFR and the table should be read in conjunction with those statements. The table does not include future funding plans whether disclosed or not in this document.

	Fiscal Year Ending June 30				Unaudited	After Issuance
INDEBTEDNESS	**2014**	**2015**	**2016**	**2017**	**2018**	**2018**
TAX SUPPORTED						
General Obligation Bonds & Notes	24,995,826	23,849,382	21,796,810	19,733,086	17,923,210	20,233,210
TOTAL TAX SUPPORTED	$ 24,995,826	$ 23,849,382	$ 21,796,810	$ 19,733,086	$ 17,923,210	$ 20,233,210
TAX SUPPORTED - Rural School						
Rural School Debt	$ 6,295,000	$ 4,715,000	$ 4,155,000	$ 3,865,000	$ 3,575,000	$ 3,575,000
TOTAL DEBT	$ 31,290,826	$ 28,564,382	$ 25,951,810	$ 23,598,086	$ 21,498,210	$ 23,808,210
Less: Debt Service Funds - General Debt Service	(3,253,063)	(2,732,543)	(2,249,369)	(1,792,344)	(1,792,344)	(1,792,344)
Less: Debt Service Funds - Rural Debt Service	(1,378,618)	(719,583)	(582,980)	(585,269)	(585,269)	(585,269)
NET DIRECT DEBT	$ 26,659,145	$ 25,112,256	$ 23,119,461	$ 21,220,473	$ 19,120,597	$ 21,430,597

PROPERTY TAX BASE *						
County-Wide						
Estimated Actual Value	$ 1,485,392,195	$ 1,446,172,312	$ 1,452,303,163	$ 1,523,129,294	$ 1,542,546,596	$ 1,542,546,596
Estimated Appraised Value	$ 1,430,135,605	$ 1,436,338,340	$ 1,442,427,501	$ 1,509,116,504	$ 1,542,546,596	$ 1,542,546,596
Estimated Assessed Value	$ 401,637,093	$ 403,222,181	$ 404,714,044	$ 409,721,939	$ 432,225,831	$ 432,225,831
Rural - (1)						
Estimated Actual Value	$ 894,155,023	$ 874,440,413	$ 883,083,944	$ 930,773,208	$ 949,635,032	$ 949,635,032
Estimated Appraised Value	$ 860,892,456	$ 868,494,218	$ 877,078,973	$ 922,210,094	$ 949,635,032	$ 949,635,032
Estimated Assessed Value	$ 225,111,126	$ 227,337,095	$ 229,975,557	$ 234,069,308	$ 248,954,114	$ 248,954,114

(1) Includes only property located outside the corporate limits of the City of Lexington.

* Best available information

DEBT RATIOS - COUNTY-WIDE	Fiscal Year Ending June 30				Unaudited	After Issuance
	2014	2015	2016	2017	2018	2018
TOTAL DEBT to Estimated Actual Value	1.18%	1.18%	1.18%	1.18%	1.18%	1.18%
TOTAL DEBT to Appraised Value	1.47%	1.47%	1.47%	1.47%	1.47%	1.47%
TOTAL DEBT to Assessed Value	5.33%	5.33%	5.33%	5.33%	5.33%	5.33%
NET DIRECT DEBT to Estimated Actual Value	0.99%	0.99%	0.99%	0.99%	0.99%	0.99%
NET DIRECT DEBT to Appraised Value	1.24%	1.24%	1.24%	1.24%	1.24%	1.24%
NET DIRECT DEBT to Assessed Value	4.49%	4.49%	4.49%	4.49%	4.49%	4.49%
PER CAPITA RATIOS - COUNTY-WIDE						
POPULATION (1)	28,009	28,015	27,822	27,822	27,822	27,822
PER CAPITA PERSONAL INCOME (2)	$31,720	$32,073	$33,476	$33,476	$33,476	$33,476
Estimated Actual Value to POPULATION	87,937	87,937	87,937	87,937	87,937	87,937
Assessed Value to POPULATION	19,411	19,411	19,411	19,411	19,411	19,411
TOTAL DEBT to POPULATION	1,034	1,034	1,034	1,034	1,034	1,034
NET DIRECT DEBT to POPULATION	872	872	872	872	872	872
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	3.21%	3.21%	3.21%	3.21%	3.21%	3.21%
NET DIRECT DEBT Per Capita as a % of PER CAPITA PERSONAL INCOME	2.70%	2.70%	2.70%	2.70%	2.70%	2.70%

(1) Computations are based upon estimates extracted from Tennessee Association of Business publications, the County and Bureau of Census Information.

(2) PER CAPITA PERSONAL INCOME is based upon data available from the U.S. Department of Commerce.

DEBT RATIOS - RURAL	Fiscal Year Ending June 30 2014	2015	2016	2017	Unaudited 2018	After Issuance 2018
TOTAL DEBT to Estimated Actual Value	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%
TOTAL DEBT to Appraised Value	0.55%	0.55%	0.55%	0.55%	0.55%	0.55%
TOTAL DEBT to Assessed Value	2.05%	2.05%	2.05%	2.05%	2.05%	2.05%
NET DIRECT DEBT to Estimated Actual Value	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%
NET DIRECT DEBT to Appraised Value	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%
NET DIRECT DEBT to Assessed Value	1.62%	1.62%	1.62%	1.62%	1.62%	1.62%
PER CAPITA RATIOS - RURAL						
POPULATION (1)	20,184	20,193	20,053	20,053	20,053	20,053
PER CAPITA PERSONAL INCOME (2)	$31,720	$32,073	$33,476	$33,476	$33,476	$33,476
Estimated Actual Value to POPULATION	194,707	194,707	194,707	194,707	194,707	194,707
Assessed Value to POPULATION	41,893	41,893	41,893	41,893	41,893	41,893
TOTAL DEBT to POPULATION	859	859	859	859	859	859
NET DIRECT DEBT to POPULATION	679	679	679	679	679	679
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	2.66%	2.66%	2.66%	2.66%	2.66%	2.66%
NET DIRECT DEBT Per Capita as a % of PER CAPITA PERSONAL INCOME	2.10%	2.10%	2.10%	2.10%	2.10%	2.10%

(1) Computations are based upon estimates extracted from Tennessee Association of Business publications, the County and Bureau of Census Information.

(2) PER CAPITA PERSONAL INCOME is based upon data available from the U.S. Department of Commerce.

HENDERSON COUNTY, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - General Obligation Debt - Paid from General Fund and General Debt Service Fund

Fiscal Year	Total Existing Debt - as of June 30, 2018 (1)			General Obligation Bonds, Series 2018			% 2018	Total General Obligation Debt			% All
Ended June 30	Principal	Interest	TOTAL	Principal	Interest (2)	TOTAL	Principal Repaid	Principal	Interest	TOTAL	Principal Repaid
2019	$ 1,810,000	$ 501,888	$ 2,311,888	$ -	$ 43,036	$ 43,036	0.00%	$ 1,810,000	$ 544,923	$ 2,354,923	9.54%
2020	1,795,000	443,163	2,238,163	-	68,553	68,553		1,795,000	511,715	2,306,715	
2021	1,530,000	383,663	1,913,663	160,000	68,553	228,553		1,690,000	452,215	2,142,215	
2022	1,690,000	327,300	2,017,300	155,000	63,753	218,753		1,845,000	391,053	2,236,053	
2023	1,675,000	284,063	1,959,063	160,000	59,103	219,103	20.56%	1,835,000	343,165	2,178,165	47.32%
2024	1,665,000	240,650	1,905,650	165,000	54,303	219,303		1,830,000	294,953	2,124,953	
2025	1,335,000	196,775	1,531,775	170,000	49,353	219,353		1,505,000	246,128	1,751,128	
2026	1,315,000	158,663	1,473,663	170,000	45,103	215,103		1,485,000	203,765	1,688,765	
2027	1,300,000	120,763	1,420,763	175,000	40,003	215,003		1,475,000	160,765	1,635,765	
2028	1,280,000	80,900	1,360,900	180,000	34,753	214,753	57.79%	1,460,000	115,653	1,575,653	88.22%
2029	1,260,000	41,300	1,301,300	185,000	29,353	214,353		1,445,000	70,653	1,515,653	
2030	-	-	-	190,000	23,803	213,803		190,000	23,803	213,803	
2031	-	-	-	195,000	18,103	213,103		195,000	18,103	213,103	
2032	-	-	-	200,000	12,253	212,253		200,000	12,253	212,253	
2033	-	-	-	205,000	6,253	211,253	100.00%	205,000	6,253	211,253	100.00%
	$ 16,655,000	$ 2,779,125	$ 19,434,125	$ 2,310,000	$ 616,271	$ 2,926,271		$ 18,965,000	$ 3,395,396	$ 22,360,396	

NOTES:

(1) The above figures do not include revenue backed debt or all short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

(2) Average Coupon 2.98%.

HENDERSON COUNTY, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - Rural School Debt (1) & (2)

As of June 30, 2018

Fiscal Year Ended June 30	Total General Obligation Debt (1) Principal	Interest	TOTAL	% All Principal Repaid
2019	$ 300,000	$ 106,510	$ 406,510	8.39%
2020	300,000	100,510	400,510	
2021	305,000	93,910	398,910	
2022	305,000	86,285	391,285	
2023	315,000	78,050	393,050	42.66%
2024	325,000	69,388	394,388	
2025	325,000	59,638	384,638	
2026	335,000	49,075	384,075	
2027	345,000	38,188	383,188	
2028	355,000	26,113	381,113	89.79%
2029	365,000	13,688	378,688	100.00%
	$ 3,575,000	$ 721,353	$ 4,296,353	

NOTES:

(1) The above figures do not include revenue backed debt or all short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

(2) These Bonds are payable from the general obligation pledge of the County lying outside the City of Lexington, Tennessee.

HENDERSON COUNTY, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - General Purpose School Fund

As of June 30, 2018

Fiscal Year	Total General Obligation Debt (1)			% Principal
Ended June 30	Principal	Interest	TOTAL	Repaid
2019	$ 86,064	$ 17,976	$ 104,040	6.79%
2020	87,252	16,716	103,968	
2021	88,464	15,432	103,896	
2022	89,700	14,124	103,824	
2023	90,948	12,804	103,752	34.89%
2024	92,208	11,472	103,680	
2025	93,480	10,128	103,608	
2026	94,788	8,748	103,536	
2027	96,096	7,356	103,452	
2028	97,440	5,940	103,380	72.26%
2029	98,784	4,512	103,296	
2030	100,164	3,060	103,224	
2031	101,556	1,584	103,140	
2032	51,266	151	51,417	100.00%
	$ 1,268,210	$ 130,003	$ 1,398,213	

NOTES:

(1) The above figures may not include all short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR. Estimated amortization schedule for the fully approved loan.

FINANCIAL OPERATIONS

BASIS OF ACCOUNTING AND PRESENTATION

The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The modified accrual basis of accounting is used to account for all governmental funds of the County. Revenues for such funds are recognized when they become measurable and available as net current assets. Expenditures, other than interest or long-term debt, are recognized when incurred and measurable.

All proprietary funds are accounted for using the accrual basis of accounting, whereby revenues are recognized when they are earned and expenses are recognized when they are incurred except for prepaid expenses, such as insurance, which are fully expended at the time of payment.

DEBT RECORD

There is no record of default on principal and interest payments by Henderson County from any information currently available.

FUND BALANCES AND RETAINED EARNINGS

The following table depicts audited fund balances and retained earnings for the last five fiscal years ending June 30:

	For the Fiscal Year Ended June 30,				
Fund Type	**2013**	**2014**	**2015**	**2016**	**2017**
Governmental Funds:					
General	$ 2,725,719	$ 3,644,538	$ 4,057,271	$4,210,737	$3,921,835
Highway/Public Works	1,290,258	1,674,039	1,616,233	1,300,944	1,373,949
General Debt Service	3,779,682	3,253,063	2,732,543	2,249,369	1,792,344
Other Governmental	2,611,530	2,484,932	1,808,691	1,151,824	1,193,960
TOTAL	**$10,407,189**	**$11,056,572**	**$10,214,738**	**$8,912,874**	**$8,282,088**

Source: Comprehensive Annual Financial Report and Auditor's Report, Henderson County, Tennessee.

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HENDERSON COUNTY, TENNESSEE
Five Year Summary of Revenues, Expenditures and
Changes In Fund Balances - General Fund
For the Fiscal Year Ended June 30

	2013	2014	2015	2016	2017
Revenues:					
Local Taxes	$ 4,865,941	$ 5,043,234	$ 5,179,533	$ 5,376,247	$ 5,372,567
Licenses and Permits	1,045	950	950	1,045	1,330
Fines, forfeitures and penalties	413,516	385,760	460,740	461,063	435,098
Charges for current services	98,539	79,715	67,411	93,296	75,570
Other local revenue	242,762	238,279	350,554	468,933	216,912
Fees Rec'v from County Officials	465,033	776,537	638,891	930,137	408,827
State of Tennessee	1,390,499	1,966,352	1,581,000	1,536,379	1,745,614
Federal Government	38,911	258,413	264,960	125,793	662,644
Other Governments & Citizens Groups	549,604	652,264	421,230	387,984	325,418
Total Revenues	$ 8,065,850	$ 9,401,504	$ 8,965,269	$ 9,380,877	$ 9,243,980
Expenditures:					
General government	$ 1,209,894	$ 1,705,607	$ 1,743,672	$ 2,199,212	$ 2,061,339
Finance	567,979	576,882	600,420	602,960	598,093
Administration of Justice	492,060	421,049	488,816	490,390	524,571
Public Safety	4,649,193	4,714,029	4,964,223	5,294,702	5,332,575
Public Health & Welfare	169,348	154,215	108,996	134,302	114,911
Social, Cultrual & Recreational Services	81,807	85,652	113,537	89,468	86,853
Agricultural & Natural Resources	143,484	103,039	102,280	109,896	94,609
Other Operations	570,957	659,420	575,505	647,266	737,192
Highways	-	-	-	-	-
Debt Service	77,150	75,200	73,250	76,300	74,279
Capital Projects	-	-	-	-	-
Total Expenditures	$ 7,961,872	$ 8,495,093	$ 8,770,699	$ 9,644,496	$ 9,624,422
Excess (Deficiency) of Revenues					
Over Expenditures	$ 103,978	$ 906,411	$ 194,570	$ (263,619)	$ (380,442)
Other Sources (Uses):					
Note/Lease Proceeds	$ -	$ -	$ -	$ -	$ -
Insurance Recovery	315,997	12,408	218,163	7,085	91,540
Sale of Assets	-	-	-	-	-
Operating Transfers - In	-	-	-	410,000	-
Operating Transfers - Out	-	-	-	-	-
Total Other Sources (Uses)	$ 315,997	$ 12,408	$ 218,163	$ 417,085	$ 91,540
Net Change in Fund Balance	$ 419,975	$ 918,819	$ 412,733	$ 153,466	$ (288,902)
Fund Balance July 1	2,305,744	2,725,719	3,644,538	4,057,271	4,210,737
Residual Equity Transfers	-	-	-	-	-
Fund Balance June 30	**$ 2,725,719**	**$ 3,644,538**	**$ 4,057,271**	**$ 4,210,737**	**$ 3,921,835**

Source: Comprehensive Annual Financial Reports for Henderson County, Tennessee.

INVESTMENT AND CASH MANAGEMENT PRACTICES

Investment of idle County operating funds is controlled by state statute and local policies and administered by the County Trustee. Generally, such policies limit investment instruments to direct U. S. Government obligations, those issued by U.S. Agencies or Certificates of Deposit. As required by prevailing statutes, all demand deposits or Certificates of Deposit are secured by similar grade collateral pledged at 110% of market value for amounts in excess of that guaranteed through federally sponsored insurance programs. Deposits with savings and loan associations must be collateralized as outlined above, by an irrevocable letter of credit issued by the Federal Home Loan Bank or by providing notes secured by the first mortgages or first deeds for trust upon residential property in the state equal to at least 150 percent of the amount of uninsured deposits. All collateral must be held in a third party escrow account for the benefit of the County. For reporting purposes, all investments are stated at cost which approximates market value. The County Trustee is responsible for all County investments.

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

State Taxation of Property; Classifications of Taxable Property; Assessment Rates

Under the Constitution and laws of the State of Tennessee, all real and personal property is subject to taxation, except to the extent that the General Assembly of the State of Tennessee (the "General Assembly") exempts certain constitutionally permitted categories of property from taxation. Property exempt from taxation includes federal, state and local government property, property of housing authorities, certain low cost housing for elderly persons, property owned and used exclusively for certain religious, charitable, scientific and educational purposes and certain other property as provided under Tennessee law.

Under the Constitution and laws of the State of Tennessee, property is classified into three separate classes for purposes of taxation: Real Property; Tangible Personal Property; and Intangible Personal Property. Real Property includes lands, structures, improvements, machinery and equipment affixed to realty and related rights and interests. Real Property is required constitutionally to be classified into four sub classifications and assessed at the rates as follows:

(a) Public Utility Property (which includes all property of every kind used or held for use in the operation of a public utility, such as railroad companies, certain telephone companies, freight and private car companies, street car companies, power companies, express companies and other public utility companies), to be assessed at 55% of its value;
(b) Industrial and Commercial Property (which includes all property of every kind used or held for use for any commercial, mining, industrial, manufacturing, business or similar purpose), to be assessed at 40% of its value;
(c) Residential Property (which includes all property which is used or held for use for dwelling purposes and contains no more than one rental unit), to be assessed at 25% of its value; and
(d) Farm Property (which includes all real property used or held for use in agriculture), to be assessed at 25% of its value.

Tangible Personal Property includes personal property such as goods, chattels and other articles of value, which are capable of manual or physical possession and certain machinery and equipment. Tangible Personal Property is required constitutionally to be classified into three sub classifications and assessed at the rates as follows:

(a) Public Utility Property, to be assessed at 55% of its value;
(b) Industrial and Commercial Property, to be assessed at 30% of its value; and
(c) All other Tangible Personal Property (including that used in agriculture), to be assessed at 5% of its value, subject to an exemption of $7,500 worth of Tangible Personal Property for personal household goods and furnishings, wearing apparel and other tangible personal property in the hands of a taxpayer.

Intangible Personal Property includes personal property, such as money, any evidence of debt owed to a taxpayer, any evidence of ownership in a corporation or other business organization having multiple owners and all other forms of property, the value of which is expressed in terms of what the property represents rather than its own intrinsic value. The Constitution of the State of Tennessee empowers the General Assembly to classify Intangible Personal Property into sub classifications and to establish a ratio of assessment to value in each class or subclass and to provide fair and equitable methods of apportionment of the value to the State of Tennessee for purposes of taxation.

The Constitution of the State of Tennessee requires that the ratio of assessment to value of property in each class or subclass be equal and uniform throughout the State of Tennessee and that the General Assembly direct the method to ascertain the value and definition of property in each class or subclass. Each respective taxing authority is constitutionally required to apply the same tax rate to all property within its jurisdiction.

County Taxation of Property

The Constitution of the State of Tennessee empowers the General Assembly to authorize the several counties and incorporated towns in the State of Tennessee to impose taxes for county and municipal purposes in the manner prescribed by law. Under the *Tennessee Code Annotated,* the General Assembly has authorized the counties in Tennessee to levy an *ad valorem* tax on all taxable property within their respective jurisdictions, the amount of which is required to be fixed by the county legislative body of each county based upon tax rates to be established on the first Monday of July of each year or as soon thereafter as practicable.

All property is required to be taxed according to its value upon the principles established in regard to State taxation as described above, including equality and uniformity. All counties, which levy and collect taxes to pay off any bonded indebtedness, are empowered, through the respective county legislative bodies, to place all funds levied and collected into a special fund of the respective counties and to appropriate and use the money for the purpose of discharging any bonded indebtedness of the respective counties.

Assessment of Property

County Assessments; County Board of Equalization. The function of assessment is to assess all property (with certain exceptions) to the person or persons owning or claiming to own such property on January I for the year for which the assessment is made. All assessment of real and personal property are required to be made annually and as of January 1 for the year to which the assessment applies. Not later than May 20 of each year, the assessor of property in each county is required to (a) make an assessment of all property in the county and (b) note upon the assessor's records the current classification and assessed value of all taxable property within the assessor's jurisdiction.

The assessment records are open to public inspection at the assessor's office during normal business hours. The assessor is required to notify each taxpayer of any change in the classification or assessed value of the taxpayer's property and to cause a notice to be published in a newspaper of general circulation stating where and when such records may be inspected and describing certain information concerning the convening of the county board of equalization. The notice to taxpayers and such published notice are required to be provided and published at least 10 days before the local board of equalization begins its annual session.

The county board of equalization is required (among other things) to carefully examine, compare and equalize the county assessments; assure that all taxable properties are included on the assessments lists and that exempt properties are eliminated from the assessment lists; hear and act upon taxpayer complaints; and correct errors and assure conformity to State law and regulations.

State Assessments of Public Utility Property; State Board of Equalization. The State Comptroller of the Treasury is authorized and directed under Tennessee law to assess for taxation, for State, county and municipal purposes, all public utility properties of every description, tangible and intangible, within the State. Such assessment is required to be made annually as of the same day as other properties are assessed by law (as described above) and takes into account such factors as are prescribed by Tennessee law.

On or before the first Monday in August of each year, the assessments are required to be completed and the State Comptroller of the Treasury is required to send a notice of assessment to each company assessable under Tennessee law. Within ten days after the first Monday in August of each year, any owner or user of property so assessed may file an exception to such assessment together with supporting evidence to the State Comptroller of the Treasury, who may change or affirm the valuation. On or before the first Monday in September of each year, the State Comptroller of the Treasury is required to file with the State Board of Equalization assessments so made. The State Board of Equalization is required to examine such assessments and is authorized to increase or diminish the valuation placed upon any property valued by the State Comptroller of the Treasury.

The State Board of Equalization has jurisdiction over the valuation, classification and assessment of all properties in the State. The State Board of Equalization is authorized to create an assessment appeals commission to hear and act upon taxpayer complaints. The action of the

State Board of Equalization is final and conclusive as to all matters passed upon by the Board, subject to judicial review consisting of a new hearing in chancery court.

Periodic Reappraisal and Equalization

Tennessee law requires reappraisal in each county by a continuous six-year cycle comprised of an on-site review of each parcel of real property over a five-year period, or, upon approval of the State Board of Equalization, by a continuous four-year cycle comprised of an one-site review of each parcel of real property over a three-year period, followed by revaluation of all such property in the year following completion of the review period. Alternatively, if approved by the assessor and adopted by a majority vote of the county legislative body, the reappraisal program may be completed by a continuous five-year cycle comprised of an on-site review of each parcel of real property over a four-year period followed by revaluation of all such property in the year following completion of the review period.

After a reappraisal program has been completed and approved by the Director of Property Assessments, the value so determined must be used as the basis of assessments and taxation for property that has been reappraised. The State Board of Equalization is responsible to determine whether or not property within each county of the State has been valued and assessed in accordance with the Constitution and laws of the State of Tennessee.

Valuation for Property Tax Purposes

County Valuation of Property. The value of all property is based upon its sound, intrinsic and immediate value for purposes of sale between a willing seller and a willing buyer without consideration of speculative values. In determining the value of all property of every kind, the assessor is to be guided by, and follow the instructions of, the appropriate assessment manuals issued by the division of property assessments and approved by the State board of equalization. Such assessment manuals are required to take into account various factors that are generally recognized by appraisers as bearing on the sound, intrinsic and immediate economic value of property at the time of assessment.

State Valuation of Public Utility Property. The State Comptroller of the Treasury determines the value of public utility property based upon the appraisal of the property as a whole without geographical or functional division of the whole *(i.e.,* the unit rule of appraisal) and on other factors provided by Tennessee law. In applying the unit rule of appraisal, the State Comptroller of the Treasury is required to determine the State's share of the unit or system value based upon factors that relate to the portion of the system relating to the State of Tennessee.

Certified Tax Rate

Upon a general reappraisal of property as determined by the State Board of Equalization, the county assessor of property is required to (1) certify to the governing bodies of the county and each municipality within the county the total assessed value of taxable property within the jurisdiction of each governing body and (2) furnish to each governing body an estimate of the total assessed value of all new construction and improvements not included on the previous assessment roll and the assessed value of deletions from the previous assessment roll. Exclusive of such new construction, improvements and deletions, each governing body is required to determine and certify a tax rate (herein referred to as the *"Certified Tax Rate")* which will provide the same *ad valorem* revenue for that jurisdiction as was levied during the previous year. The governing body of a county or municipality may adjust the Certified Tax Rate to reflect extraordinary assessment changes or to recapture excessive adjustments.

Tennessee law provides that no tax rate in excess of the Certified Tax Rate may be levied by the governing body of any county or of any municipality until a resolution or ordinance has been adopted by the governing body after publication of a notice of the governing body's intent to exceed the Certified Tax Rate in a newspaper of general circulation and the holding of a public hearing.

The Tennessee Local Government Public Obligations Act of 1986 provides that a tax sufficient to pay when due the principal of and interest on general obligation bonds (such as the Bonds) shall be levied annually and assessed, collected and paid, in like manner with the other taxes of the local government as described above and shall be in addition to all other taxes authorized or limited by law. Bonds issued pursuant to the Local Government Public Obligations Act of 1986 may be issued without regard to any limit on indebtedness provided by law.

Tax Freeze for the Elderly Homeowners

The Tennessee Constitution was amended by the voters in November 2006 to authorize the Tennessee General Assembly to enact legislation providing property tax relief for homeowners age 65 and older. The General Assembly subsequently adopted the Property Tax Freeze Act permitting (but not requiring) local governments to implement a program for "freezing" the property taxes of eligible taxpayers at an amount equal to the taxes for the year the taxpayer becomes eligible. For example, if a taxpayer's property tax bill is $500 for the year in which he becomes eligible, his property taxes will remain at $500 even if property tax rates or appraisals increase so long as he continues to meet the program's ownership and income requirements.

Tax Collection and Tax Lien

Property taxes are payable the first Monday in October of each year. The county trustee of each county acts as the collector of all county property taxes and of all municipal property taxes when the municipality does not collect its own taxes.

The taxes assessed by the State of Tennessee, a county, a municipality, a taxing district or other local governmental entity, upon any property of whatever kind, and all penalties, interest and costs accruing thereon become and remain a first lien on such property from January 1 of the year for which such taxes are assessed. In addition, property taxes are a personal debt of the property owner as of January and, when delinquent, may be collected by suit as any other personal debt. Tennessee law prescribes the procedures to be followed to foreclose tax liens and to pursue legal proceedings against property owners whose property taxes are delinquent.

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Assessed Valuations. According to the Tax Aggregate Report of Tennessee and the County, property in the County reflected a ratio of appraised value to true market value of 1.00. The following table shows pertinent data for tax year 2017[1].

Class	Estimated Assessed Valuation	Assessment Rate	Estimated Appraised Value
Public Utilities	$ 12,786,211	55%	$ 29,292,580
Commercial and Industrial	94,308,520	40%	235,771,300
Personal Tangible Property	34,562,175	30%	115,207,016
Residential and Farm	290,568,925	25%	1,162,275,700
TOTAL	**$432,225,831**		**$1,542,546,596**

[1] The tax year coincides with the calendar year, therefore tax year 2017 is actually fiscal year 2017-2018.
Source: The 2017 Tax Aggregate Report of Tennessee.

The estimated assessed value of property in the County for the fiscal year ending June 30, 2018 (tax year 2017) is $432,225,831 compared to $409,721,939 for the fiscal year ending June 30, 2017 (tax year 2016). The estimated actual value of all taxable property for tax year 2017 is $1,542,546,596 compared to $1,523,129,294 for tax year 2016.

Property Tax Rates and Collections. The following table shows the property tax rates and collections of the County for tax years 2013 through 2017 as well as the aggregate uncollected balances as of June 30, 2017 for each fiscal year ending June 30.

PROPERTY TAX RATES AND COLLECTIONS

				Fiscal Year Collections		Aggregate Uncollected Balance As of June 30, 2017	
Tax Year[1]	Assessed Valuation	Tax Rates	Taxes Levied	Amount	Pct	Amount	Pct
2013	$401,637,093	$2.3758	$9,542,141	$9,090,120	95.3%	N/A	
2014	403,222,181	2.3758	9,593,440	9,177,377	95.7%	N/A	
2015	404,714,044	2.3758	9,628,636	9,182,188	95.4%	N/A	
2016	409,721,939	2.3758	9,734,273	9,333,498	95.9%	$400,775	4.1%
2017	432,225,831	2.2832	9,875,797	**IN PROCESS**			

[1] The tax year coincides with the calendar year, therefore tax year 2017 is actually fiscal year 2017-2018.

Ten Largest Taxpayers. For the fiscal year ending June 30, 2017 (tax year 2016), the ten largest taxpayers in the County are as follows:

	Taxpayer	Business Type	Assessment	Taxes Levied
1.	Leroy Somer	Electric Motors	$ 6,807,076	$155,174
2.	Autozone, Inc.	Automotive Parts	5,239,992	119,641
3.	Walmart Real Estate	Retail Center	4,319,806	98,631
4.	Adiante US / Johnson Controls	Automotive	4,610,808	95,275
5.	Volvo-Penta Marine	Outboard Marine Motors	3,469,281	79,211
6.	Columbus – McKinnon	Chains	3,018,913	68,928
7.	Young Touchstone	Radiators	2,708,140	61,901
8.	NCI Building Systems	Pre-Engineered Bldgs	2,280,865	52,076
9.	CHS Community Health	Hospital	2,365,568	48,086
10.	AT&T Mobility	Telecommunications	2,199,562	50,220
	TOTAL		**$37,020,011**	**$829,143**

Source: the County.

LOCAL OPTION SALES TAX

	For the Fiscal Year Ended June 30,				
	2013	**2014**	**2015**	**2016**	**2017**
Rate (% of retail sales)	2.75%	2.75%	2.75%	2.75%	2.75%
Distribution:					
General Fund	$ 80,827	$ 86,198	$ 71,297	$ 65,000	$ 63,750
Education Fund	2,606,633	2,710,467	2,728,215	2,976,969	3,395,973
Cities Portion of County Sales Tax	3,167,038	3,179,262	3,319,229	3,371,195	3,474,325
City School System's Portion	764,052	708,851	740,464	696,330	672,768
Rural Debt Service	609,548	719,726	552,110	275,290	125,508
Total Amount Collected	**$7,228,098**	**$7,404,504**	**$7,411,315**	**$7,384,784**	**$7,732,324**

Source: Comprehensive Annual Financial Report and Auditor's Report, Henderson County, Tennessee.

PENSION PLANS

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

For additional information of the funding status, trend information and actuarial status of the County's retirement programs, please refer to the appropriate Notes to Financial Statements located in the General Purpose Financial Statements of the County located herein.

UNFUNDED ACCRUED LIABILITY FOR POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

GASB Statement 45 establishes standards for the measurement, recognition, and display of Other Post-Employment Benefits ("OPEB") in the financial reports of state and local government employers. GASB 45 requires the recognition of the accrued liability for the respective year, plus the disclosure of the total unfunded liability. Cash funding of the unfunded liability is not required.

For more information, see the Notes to the General Purpose Financial Statements located herein.

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APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS

OF

HENDERSON COUNTY, TENNESSEE

FOR THE FISCAL YEAR ENDED

JUNE 30, 2017

The General Purpose Financial Statements are extracted from the Financial Statements with Report of Certified Public Accountants of the Henderson County for the fiscal year ended June 30, 2017 which is available upon request from the County

Annual Financial Report

Henderson County, Tennessee

For the Year Ended June 30, 2017

Tennessee
Comptroller
of the Treasury

Division of Local Government Audit

ANNUAL FINANCIAL REPORT

HENDERSON COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2017

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT AUDIT
JAMES R. ARNETTE
Director

LEE ANN WEST, CPA, CGFM
Audit Manager

AMANDA MARCH, CPA, CFE
JUSTIN PETERING
TWYLA PRATT
State Auditors

This financial report is available at <u>www.comptroller.tn.gov</u>

HENDERSON COUNTY, TENNESSEE
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Summary of Audit Findings

Annual Financial Report
Henderson County, Tennessee
For the Year Ended June 30, 2017

Scope

We have audited the basic financial statements of Henderson County as of and for the year ended June 30, 2017.

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICE OF FINANCE DIRECTOR

- Designated situs-based taxes were inadequate to fund rural fire protection.
- The office had deficiencies in budget operations.
- A fraud reporting form was not filed in a timely manner.
- An investigation of the former deputy finance director disclosed unauthorized salary payments, resulting in a cash shortage of $14,419.

OFFICE OF ASSESSOR OF PROPERTY

- The assessor did not adequately perform visual inspections.

OFFICE OF SHERIFF

- Duties were not segregated adequately.

OFFICES OF FINANCE DIRECTOR AND CLERK AND MASTER

- The offices did not implement adequate controls to protect their information resources.

INTRODUCTORY SECTION

Henderson County Officials
June 30, 2017

Officials

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

Board of County Commissioners

Dan Hughes, County Mayor, Chairman
Celia Barrow
Todd Beecham
Daniel Clark
Jeff James
Mack Maness
Susan Montgomery
Tommy Page
Wanda Powers
Timothy Rogers
Joe Ross
Larry Don Stanfill
Harold Tyler
Aaron Wood
Roy Woods

Board of Education

Van Bledsoe
Jeff Camper
Tommy Gordon
Bobby Harrington
Daniel Lewis
Dennis McDaniel

Audit Committee

Tommy Page, Chairman
Aaron Wood
Dennis Ray McDaniel

Financial Management Committee

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

FINANCIAL SECTION

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

Independent Auditor's Report

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, 2017, 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, 2017, 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.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the schedule of changes in the county's net pension liability (asset) and related ratios, schedules of county and school contributions, schedules of school's proportionate share of the net pension asset, and schedule of funding progress - other postemployment benefits plans, etc. on pages 77-87 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Henderson County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Henderson County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Henderson County School Department (a discretely presented component unit), miscellaneous schedules, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Henderson County School Department (a discretely presented component unit), miscellaneous schedules, and schedule of expenditures of federal awards 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 September 22, 2017, on our consideration of Henderson County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Henderson County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Henderson County's internal control over financial reporting and compliance.

Very truly yours,

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

September 22, 2017

JPW/yu

Basic Financial Statements

Exhibit A

Henderson County, Tennessee
Statement of Net Position
June 30, 2017

	Primary Government Governmental Activities	Component Unit Henderson County School Department
ASSETS		
Cash	$ 145,269	$ 0
Equity in Pooled Cash and Investments	7,545,617	6,961,542
Accounts Receivable	82,662	8,226
Due from Other Governments	889,781	1,280,467
Due from Component Units	1,353,086	0
Property Taxes Receivable	6,253,053	3,383,894
Allowance for Uncollectible Property Taxes	(112,785)	(58,021)
Net Pension Asset - Agent Plan	1,360,385	1,038,037
Net Pension Asset - Teacher Retirement Plan	0	25,502
Cash Shortage	1,669	0
Capital Assets:		
Assets Not Depreciated:		
Land	2,527,826	1,151,661
Construction in Progress	0	1,428,305
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	13,361,292	16,311,034
Infrastructure	2,337,012	74,291
Other Capital Assets	1,591,108	756,688
Total Assets	$ 37,335,975	$ 32,361,626
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charge on Refunding	$ 436,561	$ 0
Pension Changes in Experience	37,837	136,030
Pension Changes in Investment Earnings	0	2,977,329
Pension Other Deferrals	287,527	307,316
Pension Contributions after Measurement Date	331,577	1,547,077
Total Deferred Outflows of Resources	$ 1,093,502	$ 4,967,752
LIABILITIES		
Accounts Payable	$ 0	$ 1,053
Payroll Deductions Payable	0	527,521
Contracts Payable	0	217,149
Accrued Interest Payable	167,506	0
Due to Primary Government	0	1,353,086
Noncurrent Liabilities:		
Due Within One Year	2,224,304	0
Due in More Than One Year	22,457,444	3,468,761
Total Liabilities	$ 24,849,254	$ 5,567,570

(Continued)

Exhibit A

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

	Primary Government: Governmental Activities	Component Unit: Henderson County School Department
DEFERRED INFLOWS OF RESOURCES		
Deferred Current Property Taxes	$ 5,949,953	$ 3,233,254
Pension Changes in Experience	236,400	3,131,034
Total Deferred Inflows of Resources	$ 6,186,353	$ 6,364,288
NET POSITION		
Net Investment in Capital Assets	$ 4,801,527	$ 19,721,979
Restricted for:		
General Government	30,814	0
Finance	1,647	0
Administration of Justice	248,357	0
Public Safety	199,067	0
Public Health and Welfare	132,209	0
Highway/Public Works	1,286,463	0
Debt Service	1,560,307	0
Education	0	256,497
Operation of Non-instructional Services	0	699,716
Pensions	1,360,385	1,063,539
Unrestricted	(2,226,906)	3,655,789
Total Net Position	$ 7,393,870	$ 25,397,520

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, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Total Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Component Unit: Henderson County School Department
Primary Government:						
Governmental Activities:						
General Government	$ 1,902,033	$ 143,616	$ 118,381	$ 0	$ (1,640,036)	$ 0
Finance	1,156,045	672,833	0	0	(483,212)	0
Administration of Justice	1,215,672	1,080,311	7,029	0	(128,332)	0
Public Safety	6,082,605	1,849,899	46,700	120,867	(4,065,139)	0
Public Health and Welfare	721,676	57,613	144,370	0	(519,693)	0
Social, Cultural, and Recreational Services	109,056	0	0	481,648	372,592	0
Agriculture and Natural Resources	95,913	0	0	0	(95,913)	0
Highways	2,478,725	8,381	1,720,112	1,933,823	1,183,591	0
Interest on Long-term Debt	985,150	0	430,263	0	(554,887)	0
Total Primary Government	$ 14,746,875	$ 3,812,653	$ 2,466,855	$ 2,536,338	$ (5,931,029)	$ 0
Component Unit:						
Henderson County School Department	$ 34,913,213	$ 821,144	$ 5,172,043	$ 6,178	$ 0	$ (28,913,848)
Total Component Unit	$ 34,913,213	$ 821,144	$ 5,172,043	$ 6,178	$ 0	$ (28,913,848)

(Continued)

Exhibit B

Henderson County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Total Governmental Activities		Net (Expense) Revenue and Changes in Net Position: Component Unit: Henderson County School Department	
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes					$	5,304,431	$	3,107,028
Property Taxes Levied for Debt Service						1,111,503		0
Local Option Sales Taxes						126,277		3,395,973
Hotel/Motel Tax						88,792		0
Wheel Tax						971,857		0
Litigation Taxes						185,929		0
Business Tax						276,623		0
Wholesale Beer Tax						79,401		0
Other Local Taxes						3,628		3,848
Grants and Contributions Not Restricted to Specific Programs						192,273		23,386,437
Unrestricted Investment Income						66,017		5,699
Miscellaneous						124,725		82,211
Total General Revenues					$	8,531,456	$	29,981,196
Change in Net Position					$	2,600,427	$	1,067,348
Net Position, July 1, 2016						4,793,443		24,330,172
Net Position, June 30, 2017					$	7,393,870	$	25,397,520

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, 2017

	Major Funds			Nonmajor Funds	
	General	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
ASSETS					
Cash	$ 0	$ 0	$ 0	$ 145,269	$ 145,269
Equity in Pooled Cash and Investments	3,720,581	1,052,482	1,776,977	995,577	7,545,617
Accounts Receivable	27,732	92	9,186	45,652	82,662
Due from Other Governments	376,851	502,476	0	10,454	889,781
Due from Other Funds	246	0	0	0	246
Property Taxes Receivable	4,623,679	243,441	920,990	464,943	6,253,053
Allowance for Uncollectible Property Taxes	(82,200)	(4,297)	(18,040)	(8,248)	(112,785)
Cash Shortage	1,669	0	0	0	1,669
Total Assets	$ 8,668,558	$ 1,794,194	$ 2,689,113	$ 1,653,647	$ 14,805,512
LIABILITIES					
Due to Other Funds	$ 0	$ 0	$ 0	$ 246	$ 246
Total Liabilities	$ 0	$ 0	$ 0	$ 246	$ 246
DEFERRED INFLOWS OF RESOURCES					
Deferred Current Property Taxes	$ 4,404,872	$ 232,057	$ 870,005	$ 443,019	$ 5,949,953
Deferred Delinquent Property Taxes	112,200	5,801	26,764	11,195	155,960
Other Deferred/Unavailable Revenue	229,651	182,387	0	5,227	417,265
Total Deferred Inflows of Resources	$ 4,746,723	$ 420,245	$ 896,769	$ 459,441	$ 6,523,178

(Continued)

Exhibit C-1

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

	Major Funds			Nonmajor Funds	
	General	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
FUND BALANCES					
Restricted:					
Restricted for General Government	$ 30,814	$ 0	$ 0	$ 0	$ 30,814
Restricted for Finance	1,647	0	0	0	1,647
Restricted for Administration of Justice	248,357	0	0	0	248,357
Restricted for Public Safety	124,229	0	0	74,838	199,067
Restricted for Public Health and Welfare	115,814	0	0	0	115,814
Restricted for Highways/Public Works	0	1,107,319	0	0	1,107,319
Restricted for Debt Service	0	0	1,161,067	102,869	1,263,936
Committed:					
Committed for General Government	548,062	0	0	0	548,062
Committed for Finance	0	0	0	57,616	57,616
Committed for Administration of Justice	0	0	0	132,959	132,959
Committed for Public Health and Welfare	0	0	0	343,278	343,278
Committed for Other Operations	122,991	0	0	0	122,991
Committed for Highways/Public Works	0	266,630	0	0	266,630
Committed for Debt Service	0	0	631,277	482,400	1,113,677
Unassigned	2,729,921	0	0	0	2,729,921
Total Fund Balances	$ 3,921,835	$ 1,373,949	$ 1,792,344	$ 1,193,960	$ 8,282,088
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 8,668,558	$ 1,794,194	$ 2,689,113	$ 1,653,647	$ 14,805,512

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, 2017

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		$ 8,282,088
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	$ 2,527,826	
Add: buildings and improvements net of accumulated depreciation	13,361,292	
Add: infrastructure net of accumulated depreciation	2,337,012	
Add: other capital assets net of accumulated depreciation	1,591,108	19,817,238
(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	$ (70,000)	
Less: other loan payable	(1,353,086)	
Add: debt to be contributed by the School Department	1,353,086	
Less: bonds payable	(22,175,000)	
Add: deferred amount on refunding	436,561	
Add: deferred charges - discount on debt issued	3,233	
Less: compensated absences payable	(135,482)	
Less: landfill closure/postclosure care costs	(82,683)	
Less: other postemployment benefits liability	(221,502)	
Less: accrued interest on note and bonds	(167,506)	
Less: other deferred revenue - premium on debt	(264,371)	
Less: net pension liability - Henderson County Judges, Officials, and Executives Agent Plan	(382,857)	(23,059,607)
(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	$ 656,941	
Less: deferred inflows of resources related to pensions	(236,400)	420,541
(4) Net pension assets of the agent plan are not current financial resources and therefore are not reported in the governmental funds.		
Add: net pension asset - Henderson County Employees Agent Plan		1,360,385
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		573,225
Net position of governmental activities (Exhibit A)		$ 7,393,870

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, 2017

	Major Funds			Nonmajor Funds	
	General	Highway / Public Works	General Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues					
Local Taxes	$ 5,372,567	$ 242,382	$ 2,100,734	$ 529,745	$ 8,245,428
Licenses and Permits	1,330	0	0	0	1,330
Fines, Forfeitures, and Penalties	435,098	0	0	44,827	479,925
Charges for Current Services	75,570	0	0	998,716	1,074,286
Other Local Revenues	216,912	72,641	21,426	41,300	352,279
Fees Received From County Officials	408,827	0	0	0	408,827
State of Tennessee	1,745,614	3,887,230	0	0	5,632,844
Federal Government	662,644	0	0	0	662,644
Other Governments and Citizens Groups	325,418	0	104,136	408,110	837,664
Total Revenues	$ 9,243,980	$ 4,202,253	$ 2,226,296	$ 2,022,698	$ 17,695,227
Expenditures					
Current:					
General Government	$ 2,061,339	$ 0	$ 0	$ 0	$ 2,061,339
Finance	598,093	0	0	547,522	1,145,615
Administration of Justice	524,571	0	0	428,967	953,538
Public Safety	5,332,575	0	0	44,297	5,376,872
Public Health and Welfare	114,911	0	0	550,636	665,547
Social, Cultural, and Recreational Services	86,853	0	0	0	86,853
Agriculture and Natural Resources	94,609	0	0	0	94,609
Other Operations	737,192	0	0	0	737,192
Highways	0	4,138,281	0	0	4,138,281
Debt Service:					
Principal on Debt	70,000	0	1,993,724	290,000	2,353,724
Interest on Debt	4,200	0	651,234	118,110	773,544
Other Debt Service	79	0	38,363	1,030	39,472
Total Expenditures	$ 9,624,422	$ 4,138,281	$ 2,683,321	$ 1,980,562	$ 18,426,586

(Continued)

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

	Major Funds			Nonmajor Funds	
	General	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
Excess (Deficiency) of Revenues Over Expenditures	$ (380,442)	$ 63,972	$ (457,025)	$ 42,136	$ (731,359)
Other Financing Sources (Uses)					
Insurance Recovery	$ 91,540	$ 9,033	$ 0	$ 0	$ 100,573
Total Other Financing Sources (Uses)	$ 91,540	$ 9,033	$ 0	$ 0	$ 100,573
Net Change in Fund Balances	$ (288,902)	$ 73,005	$ (457,025)	$ 42,136	$ (630,786)
Fund Balance, July 1, 2016	4,210,737	1,300,944	2,249,369	1,151,824	8,912,874
Fund Balance, June 30, 2017	$ 3,921,835	$ 1,373,949	$ 1,792,344	$ 1,193,960	$ 8,282,088

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, 2017

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)		$ (630,786)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	$ 2,430,615	
Less: current-year depreciation expense	(1,143,478)	1,287,137
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2017	$ 573,225	
Less: deferred delinquent property taxes and other deferred June 30, 2016	(861,167)	(287,942)
(3) The issuance of long-term debt (e.g., bonds, notes and other loans) provides current financial resources to governmental funds, while the repayment of the the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Add: change in premium on debt issuances	$ 23,741	
Less: change in discount on debt issued	(873)	
Less: change in deferred amount on refunding debt	(232,652)	
Add: principal payments on bonds	2,200,000	
Add: principal payments on note	70,000	
Add: principal payments on other loan	83,724	
Less: contributions from the School Department for the other loan	(83,724)	2,060,216
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	$ 21,046	
Change in landfill closure/postclosure care costs	2,745	
Change in compensated absences payable	(7,235)	
Change in other postemployment benefits liability	(25,706)	
Change in net pension asset - Henderson County Employees Agent Plan	153,509	
Change in net pension liability - Henderson County Judges, Officials, and Executives Agent Plan	(18,511)	
Change in deferred outflows related to pensions	159,971	
Change in deferred inflows related to pensions	(114,017)	171,802
Change in net position of governmental activities (Exhibit B)		$ 2,600,427

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, 2017

	Actual	Budgeted Amounts Original	Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 5,372,567	$ 5,147,787	$ 5,164,770	$ 207,797
Licenses and Permits	1,330	1,500	1,500	(170)
Fines, Forfeitures, and Penalties	435,098	416,000	416,000	19,098
Charges for Current Services	75,570	78,300	78,300	(2,730)
Other Local Revenues	216,912	332,250	344,950	(128,038)
Fees Received From County Officials	408,827	708,666	708,666	(299,839)
State of Tennessee	1,745,614	2,086,184	2,462,309	(716,695)
Federal Government	662,644	32,000	508,349	154,295
Other Governments and Citizens Groups	325,418	438,000	438,000	(112,582)
Total Revenues	$ 9,243,980	$ 9,240,687	$ 10,122,844	$ (878,864)
Expenditures				
General Government				
County Commission	$ 100,415	$ 111,710	$ 111,710	$ 11,295
Board of Equalization	1,300	1,500	1,500	200
County Mayor/Executive	136,275	136,984	136,762	487
County Attorney	8,668	9,895	9,895	1,227
Election Commission	173,985	645,199	472,032	298,047
Register of Deeds	132,977	152,196	152,196	19,219
County Buildings	1,507,719	874,650	1,588,048	80,329
Finance				
Accounting and Budgeting	270,541	297,730	310,311	39,770
Property Assessor's Office	255,599	282,456	282,076	26,477
County Trustee's Office	28,535	39,100	39,100	10,565
County Clerk's Office	43,418	55,750	55,750	12,332
Administration of Justice				
Circuit Court	33,115	46,118	46,118	13,003
General Sessions Court	242,969	229,950	259,950	16,981
Drug Court	8,288	10,000	10,000	1,712
Chancery Court	196,235	200,553	200,553	4,318
Juvenile Court	43,964	58,320	58,320	14,356
Public Safety				
Sheriff's Department	2,024,190	2,151,483	2,151,483	127,293
Administration of the Sexual Offender Registry	2,753	3,800	3,800	1,047
Workhouse	1,918,557	2,082,095	2,103,585	185,028
Fire Prevention and Control	642,045	229,500	675,576	33,531
Civil Defense	112,168	120,971	125,671	13,503
Rescue Squad	15,000	15,000	15,000	0
County Coroner/Medical Examiner	44,680	58,015	58,015	13,335
Other Public Safety	573,182	510,896	589,646	16,464
Public Health and Welfare				
Local Health Center	58,005	169,980	170,830	112,825
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	11,420	12,300	11,450	30
Aid to Dependent Children	0	700	700	700
Waste Pickup	32,986	48,784	48,784	15,798

(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 Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)				
Social, Cultural, and Recreational Services				
Adult Activities	$ 2,807	$ 5,808	$ 5,808	$ 3,001
Senior Citizens Assistance	14,500	17,500	17,500	3,000
Libraries	44,000	44,000	44,000	0
Other Social, Cultural, and Recreational	25,546	27,700	27,700	2,154
Agriculture and Natural Resources				
Agricultural Extension Service	69,053	75,225	75,225	6,172
Soil Conservation	16,654	20,250	20,250	3,596
Flood Control	8,902	22,500	22,500	13,598
Other Operations				
Tourism	24,958	19,550	26,484	1,526
Industrial Development	119,954	18,950	120,154	200
Veterans' Services	69,410	74,769	74,769	5,359
Other Charges	361,425	375,000	465,000	103,575
Employee Benefits	19,269	21,000	21,000	1,731
Miscellaneous	142,176	204,000	204,001	61,825
Principal on Debt				
General Government	70,000	85,000	85,000	15,000
Interest on Debt				
General Government	4,200	6,300	10,000	5,800
Other Debt Service				
General Government	79	0	79	0
Total Expenditures	$ 9,624,422	$ 9,590,687	$ 10,925,831	$ 1,301,409
Excess (Deficiency) of Revenues Over Expenditures	$ (380,442)	$ (350,000)	$ (802,987)	$ 422,545
Other Financing Sources (Uses)				
Insurance Recovery	$ 91,540	$ 0	$ 31,750	$ 59,790
Transfers In	0	85,000	105,000	(105,000)
General Government	0	0	(500)	500
Total Other Financing Sources	$ 91,540	$ 85,000	$ 136,250	$ (44,710)
Net Change in Fund Balance	$ (288,902)	$ (265,000)	$ (666,737)	$ 377,835
Fund Balance, July 1, 2016	4,210,737	2,900,000	2,900,000	1,310,737
Fund Balance, June 30, 2017	$ 3,921,835	$ 2,635,000	$ 2,233,263	$ 1,688,572

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

Exhibit C-6

Henderson County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2017

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 242,382	$ 235,953	$ 235,953	$ 6,429
Other Local Revenues	72,641	0	0	72,641
State of Tennessee	3,887,230	2,748,011	4,243,372	(356,142)
Federal Government	0	135,000	135,000	(135,000)
Total Revenues	$ 4,202,253	$ 3,118,964	$ 4,614,325	$ (412,072)
Expenditures				
Highways				
Administration	$ 177,057	$ 180,143	$ 180,143	$ 3,086
Highway and Bridge Maintenance	1,396,463	1,684,940	1,684,940	288,477
Operation and Maintenance of Equipment	410,672	757,500	757,500	346,828
Other Charges	141,468	158,500	158,500	17,032
Employee Benefits	12,742	51,000	51,000	38,258
Capital Outlay	1,999,879	471,000	2,126,438	126,559
Total Expenditures	$ 4,138,281	$ 3,303,083	$ 4,958,521	$ 820,240
Excess (Deficiency) of Revenues Over Expenditures	$ 63,972	$ (184,119)	$ (344,196)	$ 408,168
Other Financing Sources (Uses)				
Insurance Recovery	$ 9,033	$ 0	$ 0	$ 9,033
Total Other Financing Sources	$ 9,033	$ 0	$ 0	$ 9,033
Net Change in Fund Balance	$ 73,005	$ (184,119)	$ (344,196)	$ 417,201
Fund Balance, July 1, 2016	1,300,944	1,500,000	1,500,000	(199,056)
Fund Balance, June 30, 2017	$ 1,373,949	$ 1,315,881	$ 1,155,804	$ 218,145

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, 2017

	Agency Funds
ASSETS	
Cash	$ 1,701,596
Equity in Pooled Cash and Investments	64,640
Accounts Receivable	5,058
Due from Other Governments	702,554
Taxes Receivable	470,504
Allowance for Uncollectible Taxes	(7,938)
Total Assets	$ 2,936,414
LIABILITIES	
Due to Other Taxing Units	$ 1,229,871
Due to Litigants, Heirs, and Others	1,706,543
Total Liabilities	$ 2,936,414

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

HENDERSON COUNTY, TENNESSEE
Index of Notes to the Financial Statements

HENDERSON COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

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

Administrative Office:

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

B. Government-wide and Fund Financial Statements

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

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

Henderson County issues all debt for the discretely presented Henderson County School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2017.

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

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

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

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

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

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

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

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

Henderson County reports the following major governmental funds:

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

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

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

Additionally, Henderson County reports the following fund type:

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

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

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

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

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

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

1. **Deposits and Investments**

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Henderson County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General and General Debt Service funds. Henderson County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at amortized cost using a stable net asset value. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. **Receivables and Payables**

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to .92 percent of total taxes levied.

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

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

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

3. **Capital Assets**

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

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

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

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

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

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

4. **Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These items are from the following sources: current and delinquent property taxes, pension changes in 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, other postemployment benefits, and pension liabilities are recognized to the extent that the liabilities have matured (come due for payment) each period.

7. **Net Position and Fund Balance**

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

a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

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

As of June 30, 2017, Henderson County had $8,736,936 in outstanding debt for capital purposes for the discretely presented Henderson County School Department. In accordance with state statutes, certain county school debt proceeds must be shared with other public school systems in the county (City of Lexington School System) based on an average daily attendance proration. This debt is a liability of Henderson County, but the capital assets acquired are reported in the financial statements of the School Department and the City of Lexington School System. Therefore, Henderson County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

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

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

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

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

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

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

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

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. All annual appropriations lapse at fiscal year end.

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

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

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

B. Cash Shortage – Current Year

The finance department had a cash shortage of $1,669 outstanding as of June 30, 2017. The county commission and county attorney are taking action to collect this cash deficit. Details of this cash shortage are discussed in the Schedule of Findings and Questioned Costs section of this report.

C. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the county commission in the following major appropriation categories (the legal level of control) of the following funds:

Fund/Major Appropriation Category		Amount Overspent
General Purpose School Fund:		
Support Services - Special Education Program	$	58,363
School Federal Projects Fund		
Instruction - Special Education Program		8,123
Support Services - Special Education Program		878

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, 2017.

B. **Capital Assets**

Capital assets activity for the year ended June 30, 2017, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-16	Increases	Decreases	Balance 6-30-17
Capital Assets Not Depreciated:				
Land	$ 2,527,826	$ 0	$ 0	$ 2,527,826
Construction in Progress	522,078	0	522,078	0
Total Capital Assets Not Depreciated	$ 3,049,904	$ 0	$ 522,078	$ 2,527,826
Capital Assets Depreciated:				
Buildings and Improvements	$ 18,272,907	$ 721,715	$ 0	$ 18,994,622
Infrastructure	2,401,635	1,531,695	0	3,933,330
Other Capital Assets	6,399,922	699,283	0	7,099,205
Total Capital Assets Depreciated	$ 27,074,464	$ 2,952,693	$ 0	$ 30,027,157
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 4,950,355	$ 682,975	$ 0	$ 5,633,330
Infrastructure	1,479,007	117,311	0	1,596,318
Other Capital Assets	5,164,905	343,192	0	5,508,097
Total Accumulated Depreciation	$ 11,594,267	$ 1,143,478	$ 0	$ 12,737,745
Total Capital Assets Depreciated, Net	$ 15,480,197	$ 1,809,215	$ 0	$ 17,289,412
Governmental Activities Capital Assets, Net	$ 18,530,101	$ 1,809,215	$ 522,078	$ 19,817,238

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

Governmental Activities:

General Government	$	57,720
Administration of Justice		142,737
Public Safety		720,338
Public Health and Welfare		46,052
Highway/Public Works		176,631
Total Depreciation Expense - Governmental Activities	$	1,143,478

Discretely Presented Henderson County School Department

Governmental Activities:

	Balance 7-1-16	Increases	Decreases	Balance 6-30-17
Capital Assets Not Depreciated:				
Land	$ 1,151,661	$ 0	$ 0	$ 1,151,661
Construction in Progress	721,999	868,391	162,085	1,428,305
Total Capital Assets Not Depreciated	$ 1,873,660	$ 868,391	$ 162,085	$ 2,579,966
Capital Assets Depreciated:				
Building and Improvements	$ 45,008,028	$ 335,810	$ 0	$ 45,343,838
Infrastructure	99,606	0	0	99,606
Other Capital Assets	2,190,379	106,700	0	2,297,079
Total Capital Assets Depreciated	$ 47,298,013	$ 442,510	$ 0	$ 47,740,523
Less Accumulated Depreciation For:				
Building and Improvements	$ 27,769,052	$ 1,263,752	$ 0	$ 29,032,804
Infrastructure	20,335	4,980	0	25,315
Other Capital Assets	1,415,561	124,830	0	1,540,391
Total Accumulated Depreciation	$ 29,204,948	$ 1,393,562	$ 0	$ 30,598,510
Total Capital Assets Depreciated, Net	$ 18,093,065	$ (951,052)	$ 0	$ 17,142,013
Governmental Activities Capital Assets, Net	$ 19,966,725	$ (82,661)	$ 162,085	$ 19,721,979

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

Governmental Activities:

Instruction	$	1,018,935
Support Services		220,049
Operation of Noninstructional Services		154,578
Total Depreciation Expense - Governmental Activities	$	1,393,562

C. **Construction Commitments**

At June 30, 2017, the discretely presented School Department's General Purpose School Fund had uncompleted construction contracts of $54,927 for ballfield lighting. Funding has been received for these future expenditures.

D. **Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2017, was as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund		Amount
General	Nonmajor governmental	$	246

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	$	1,353,086

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, 2017, consisted of the following amount:

Discretely Presented Henderson County School Department

Transfer Out	Transfer In General Purpose School Fund
Nonmajor governmental fund	$ 7,070
Total	$ 7,070

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

E. **Long-term Obligations**

Primary Government

General Obligation Bonds, Notes, and Other Loan

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, the capital outlay note, and the other loan outstanding were issued for original terms of up to 20 years for bonds, up to eight years for the note, and up to 21 years for the other loan. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, the note, and the other loan included in long-term debt as of June 30, 2017, 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, 2017, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-17
General Obligation Bonds	1.75 to 4.75%	4-1-29	$ 19,900,000	$ 11,565,000
General Obligation Bonds - Refunding	1 to 3	4-1-29	13,335,000	10,610,000
Capital Outlay Note	3	4-1-18	405,000	70,000
Other Loan	1.38	12-31-31	1,800,582	1,353,086

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, 2017, including interest payments and other loan fees, are presented in the following tables:

Year Ending	Bonds		
June 30	Principal	Interest	Total
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
2023-2027	8,935,000	1,295,252	10,230,252
2028-2029	3,260,000	162,002	3,422,002
Total	$ 22,175,000	$ 4,168,409	$ 26,343,409

Year Ending June 30	Note Principal	Note Interest	Total
2018	$ 70,000	$ 2,100	$ 72,100
Total	$ 70,000	$ 2,100	$ 72,100

Year Ending June 30	Other Loan Principal	Interest	Other Fees	Total
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
2023-2027	467,520	47,580	2,928	518,028
2028-2032	449,210	14,271	976	464,457
Total	$ 1,353,086	$ 140,595	$ 8,632	$ 1,502,313

There is $2,377,613 available in the debt service funds to service long-term debt. Bonded debt per capita totaled $799, based on the 2010 federal census. Total debt per capita, including bonds, the note, and the other loan (net of unamortized debt premiums and discounts) totaled $840, 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.

Description of Indebtedness	Outstanding 6-30-17
Other Loan	
Contributions from the General Purpose School Fund	
Clean Water State Revolving Fund	$ 1,353,086

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2017, was as follows:

Governmental Activities:

	Bonds	Note	Other Loan
Balance, July 1, 2016	$ 24,375,000	$ 140,000	$ 1,436,810
Reductions	(2,200,000)	(70,000)	(83,724)
Balance, June 30, 2017	$ 22,175,000	$ 70,000	$ 1,353,086
Balance Due Within One Year	$ 1,945,000	$ 70,000	$ 84,876

	Compensated Absences	Landfill Postclosure Care Costs	Other Postemployment Benefits
Balance, July 1, 2016	$ 128,247	$ 85,428	$ 195,796
Additions	167,051	0	29,970
Reductions	(159,816)	(2,745)	(4,264)
Balance, June 30, 2017	$ 135,482	$ 82,683	$ 221,502
Balance Due Within One Year	$ 120,622	$ 3,806	$ 0

	Net Pension Liability
Balance, July 1, 2016	$ 364,346
Additions	256,599
Reductions	(238,088)
Balance, June 30, 2017	$ 382,857
Balance Due Within One Year	$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2017	$ 24,420,610
Less: Balance Due Within One Year	(2,224,304)
Less: Deferred Discount on Debt	(3,233)
Add: Unamortized Premium on Debt	264,371
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 22,457,444

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

Defeasance of Prior Debt

In the prior year, Henderson County defeased certain outstanding general obligation bonds by placing the proceeds of new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds until they are called on April 1, 2018. The trustee is empowered and required to pay all principal and interest on the defeased bonds as originally scheduled. Accordingly, the trust accounts and the defeased bonds are not included in the county's financial statements. At June 30, 2017, the following outstanding bonds are considered defeased:

		Amount
General Obligation Bonds, Series 2008	$	6,600,000

Discretely Presented Henderson County School Department

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Henderson County School Department for the year ended June 30, 2017, was as follows:

Governmental Activities:

		Other Postemployment Benefits		Net Pension Liability - Teacher Legacy Pension Plan
Balance, July 1, 2016	$	970,956	$	153,627
Additions		226,854		6,381,222
Reductions		(216,672)		(4,047,226)
Balance, June 30, 2017	$	981,138	$	2,487,623
Balance Due Within One Year	$	0	$	0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2017	$	3,468,761
Less: Balance Due Within One Year		0
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$	3,468,761

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

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Henderson County School Department. These payments are made by the state to the Local Education Group Insurance 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, 2017, were \$70,944 and \$34,500, 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. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; Statement No. 77, *Tax Abatement Disclosures;* Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans;* Statement No. 80, *Blending Requirements for Certain Component Units*; and Statement No. 82, *Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73*, became effective for the year ended June 30, 2017.

GASB Statement No. 74, establishes accounting and reporting requirements for postemployment benefits other than pensions (other postemployment benefits or OPEB), which are included in the general purpose external financial reports of state and local governmental OPEB plans. This statement replaces GASB Statements No. 43 and No. 57. It also includes requirements for defined contribution OPEB plans that replace the requirements in statements No. 25, No. 43, and No. 50. The scope of this statement includes OPEB plans, both defined benefit and defined contribution, administered through trusts meeting the necessary criteria as well as reporting assets accumulated through OPEB plans that are not administered through trusts that meet the specified criteria.

GASB Statement No. 77, establishes reporting requirements for tax abatements. This standard requires the disclosure of information about the nature and magnitude of tax abatement agreements entered into by state and local governments that reduce the government's tax revenues.

GASB Statement No. 78, amends Statement No. 68 to exclude certain pensions provided to employees of state or local governments through a cost-sharing multiple-employer pension plans that are not state or local plans and meet specific other criteria. This statement establishes recognition, measurement, and reporting requirements criteria for these plans.

GASB Statement No. 80, amends the blending requirements of paragraph 53 of Statement No. 14. This standard adds additional blending criterion, which requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

GASB Statement No. 82 amends statements No. 67, No. 68, and No. 73. This standard establishes covered payroll as the payroll on which contributions to a pension plan are based in the Required Supplementary Information. In addition, this standard clarifies that employer paid member contributions should be considered plan member contributions for purposes of applying statement No. 67, and employee contributions for the purposes of applying statement No. 68. This standard further states that an employer's expense and expenditures for employer paid member contributions should be recognized in the period for which the contribution is assessed and classified in the same manner that the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

C. **Contingent Liabilities**

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

D. **Change in Administration**

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

E. **Landfill Closure/Postclosure Care Costs**

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

State and federal laws and regulations require the city and county to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Henderson County and the City of Lexington closed their sanitary landfill in 1997. The $82,683 reported as postclosure care liability at June 30, 2017, represents the county's 50 percent share of the amounts based on what it would cost to perform all postclosure care in 2017. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

F. **Joint Ventures**

The Beech River Regional Airport was established through a joint operations agreement between Decatur County, Henderson County, the City of Parsons, and the City of Lexington. The agreement created the Beech River Regional Airport Board to plan, develop, and maintain a regional airport that will economically benefit all residents of the two-county area. The board comprises nine members, two from each governmental unit and one appointed by the governmental entities on a one-year rotation basis. Each participant retains a

25 percent ownership in the airport; however, participants do not retain an equity interest in the airport. Henderson County made no contributions to the airport for the year ended June 30, 2017.

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, 2017, the county contributed $44,000 to the library.

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

Administrative Offices:

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

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

G. **Retirement Commitments**

Tennessee Consolidated Retirement System (TCRS)

Primary Government

General Information About the Pension Plan

Plan Description. Most employees of Henderson County and the 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 comprised 56.72 percent and the non-certified employees of the discretely presented School Department comprised 43.28 percent of the plan based on contribution data. In addition, certain other county employees are provided a defined benefit pension plan (Henderson County Judges, Officials, and Executives Plan) through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprised 100 percent of the Henderson County Judges, Officials, and Executives Plan based on contribution data. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

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

Employees Covered by Benefit Terms. At the measurement date of June 30, 2016, the following employees were covered by the benefit terms:

Henderson County Employees:

Inactive Employees or Beneficiaries Currently Receiving Benefits	77
Inactive Employees Entitled to But Not Yet Receiving Benefits	255
Active Employees	315
Total	647

Henderson County Judges, Officials, and Executives:

Inactive Employees or Beneficiaries Currently Receiving Benefits	4
Inactive Employees Entitled to But Not Yet Receiving Benefits	3
Active Employees	11
Total	18

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, 2017, the employer contribution for the Henderson County Employees Agent Plan was $374,644 based on a rate of 4.28 percent of covered payroll and the Henderson County Judges, Officials, and Executives Agent Plan was $71,517 based on a rate of 8.37 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Henderson County's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contributions (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Henderson County's net pension liability (asset) was measured as of June 30, 2016, 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, 2016, 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, 2016, 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	6.46 %	33 %
Developed Market International Equity	6.26	17
Emerging Market International Equity	6.40	5
Private Equity and Strategic Lending	4.61	8
U.S. Fixed Income	0.98	29
Real Estate	4.73	7
Short-term Securities	0.00	1
Total		100 %

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
	Increase (Decrease)		
Balance, July 1, 2015	$ 10,174,189	$ 12,251,428	$ (2,077,239)
Changes for the year:			
Service Cost	$ 582,639	$ 0	$ 582,639
Interest	791,784	0	791,784
Differences Between Expected and Actual Experience	(313,790)	0	(313,790)
Contributions-Employer	0	670,607	(670,607)
Contributions-Employees	0	397,144	(397,144)
Net Investment Income	0	332,851	(332,851)
Benefit Payments, Including Refunds of Employee Contributions	(399,405)	(399,405)	0
Administrative Expense	0	(23,258)	23,258
Other Changes	0	4,472	(4,472)
Net Changes	$ 661,228	$ 982,411	$ (321,183)
Balance, June 30, 2016	$ 10,835,417	$ 13,233,839	$ (2,398,422)

Henderson County Judges, Officials, and Executives:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
	Increase (Decrease)		
Balance, July 1, 2015	$ 2,510,511	$ 2,146,165	$ 364,346
Changes for the year:			
Service Cost	$ 65,504	$ 0	$ 65,504
Interest	190,272	0	190,272
Differences Between Expected and Actual Experience	(68,421)	0	(68,421)
Contributions-Employer	0	70,304	(70,304)
Contributions-Employees	0	41,998	(41,998)
Net Investment Income	0	57,365	(57,365)
Benefit Payments, Including Refunds of Employee Contributions	(78,113)	(78,113)	0
Administrative Expense	0	(823)	823
Net Changes	$ 109,242	$ 90,731	$ 18,511
Balance, June 30, 2016	$ 2,619,753	$ 2,236,896	$ 382,857

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

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	56.72%	$ 6,145,849	$ 7,506,233	$ (1,360,385)
School Department	43.28%	4,689,568	5,727,606	(1,038,037)
Total		$ 10,835,417	$ 13,233,839	$ (2,398,422)

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

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	100.00%	$ 2,619,753	$ 2,236,896	$ 382,857

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

Henderson County Employees:	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability	$ (967,309)	$ (2,398,422)	$ (3,580,507)

Henderson County Judges, Officials, and Executives:	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability	$ 669,691	$ 382,857	$ 137,023

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

Pension Expense. For the year ended June 30, 2017, the Henderson County Employees Plan recognized pension expense of $75,032 and the Henderson County Judges, Officials, and Executives Plan recognized pension expense of $36,447.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2017, 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	$ 66,708	$ 268,963
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	452,149	0
Contributions Subsequent to the Measurement Date of June 30, 2016 (1)	374,644	N/A
Total	$ 893,501	$ 268,963

Henderson County Judges, Officials, and Executives:	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 0	$ 83,844
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	75,118	0
Contributions Subsequent to the Measurement Date of June 30, 2016 (1)	71,517	N/A
Total	$ 146,635	$ 83,844

(1) The amount shown above for "Contributions Subsequent to the Measurement Date of June 30, 2016," 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	$ 510,306	$ 152,556
School Department	383,195	116,407
Total	$ 893,501	$ 268,963

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
2018	$ 22,183
2019	22,183
2020	194,081
2021	91,529
2022	(35,253)
Thereafter	(44,829)

Henderson County Judges, Officials, and Executives

Year Ending June 30	Amount
2018	$ (15,940)
2019	(15,940)
2020	15,874
2021	7,280
2022	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 56.72 percent and the non-certified employees of the discretely presented School Department comprise 43.28 percent of the plan based on contribution data.

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

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

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

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers are required to contribute five percent of their salary to the plan. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2017, to the Teacher Retirement Plan were $75,084, which is four percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension Liabilities (Assets). At June 30, 2017, the Henderson County School Department reported an asset of $25,502 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Henderson County School Department's proportion of the net pension asset was based on the Henderson County School Department's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016, the Henderson County School

Department's proportion was .244964 percent. The revised proportion measured at June 30, 2015, was .280246 percent.

Pension Expense. For the year ended June 30, 2017, the Henderson County School Department recognized pension expense of $21,433.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2017, the Henderson County School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 2,471	$ 2,940
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	4,175	0
Changes in proportion of Net Pension Liability (Asset)	990	0
LEA's Contributions Subsequent to the Measurement Date of June 30, 2016	$ 75,084	N/A
Total	$ 82,720	$ 2,940

The Henderson County School Department's employer contributions of $75,084 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2018	$ 1,115
2019	1,115
2020	1,115
2021	916
2022	21
Thereafter	414

Actuarial Assumptions. The total pension liability in the June 30, 2016, 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, 2016, 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	6.46	%	33	%
Developed Market International Equity	6.26		17	
Emerging Market International Equity	6.40		5	
Private Equity and Strategic Lending	4.61		8	
U.S. Fixed Income	0.98		29	
Real Estate	4.73		7	
Short-term Securities	0.00		1	
Total			100	%

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

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

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

School Department's Proportionate Share of the Net Pension Liability (Asset)		1% Decrease 6.5%		Current Discount Rate 7.5%		1% Increase 8.5%
Net Pension Liability	$	12,042	$	(25,502)	$	(53,164)

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

Teacher Legacy Pension Plan

General Information About the Pension Plan

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

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

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers are required to contribute five percent of their salaries. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Henderson County School Department for the year ended June 30, 2017, to the Teacher Legacy Pension Plan were $1,313,359, which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension Liability (Assets). At June 30, 2017, the Henderson County School Department reported a liability of $2,487,623 for its proportionate share of the net pension liability. The net pension liability (asset) was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The Henderson County School Department's proportion of the net pension liability (asset) was based on the Henderson County School Department's long-term share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016, the Henderson County School Department's proportion was .398055 percent. The proportion measured at June 30, 2015, was .375034 percent.

Pension Expense. For the year ended June 30, 2017, the Henderson County School Department recognized pension expense of $361,016.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2017, the Henderson County School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 104,688	$ 3,011,687
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,777,464	0
Changes in Proportion of Net Pension Liability (Asset)	306,326	0
LEAs Contributions Subsequent to the Measurement Date of June 30, 2016	1,313,359	N/A
Total	$ 4,501,837	$ 3,011,687

The Henderson County School Department's employer contributions of $1,313,359 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2018	$ (397,624)
2019	(397,624)
2020	934,724
2021	198,650
2022	(161,335)
Thereafter	0

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

Actuarial Assumptions. The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2016, 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	6.46	%	33	%
Developed Market International Equity	6.26		17	
Emerging Market International Equity	6.40		5	
Private Equity and Strategic Lending	4.61		8	
U.S. Fixed Income	0.98		29	
Real Estate	4.73		7	
Short-term Securities	0.00		1	
Total			100	%

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

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

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

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability	$ 13,659,964	$ 2,487,623	$ (6,767,041)

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

H. Other Postemployment Benefits (OPEB)

Plan Description

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

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year ended June 30, 2017, Henderson County and the discretely presented School Department contributed $4,264 and $216,672, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	$ 227,000	$ 30,000
Interest on the NOPEBO	36,411	7,342
Adjustment to the ARC	(36,557)	(7,372)
Annual OPEB cost	$ 226,854	$ 29,970
Less: Amount of contribution	(216,672)	(4,264)
Increase/Decrease in NOPEBO	$ 10,182	$ 25,706
Net OPEB obligation, 7-1-16	970,956	195,796
Net OPEB obligation, 6-30-17	$ 981,138	$ 221,502

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-15	Local Education Group	$ 174,903	77 %	$ 916,935
6-30-16	"	219,862	75	970,956
6-30-17	"	226,854	96	981,138
6-30-15	Local Government Group	8,174	71	170,765
6-30-16	"	27,975	11	195,796
6-30-17	"	29,970	14	221,502

Funding Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

In the July 1, 2015, actuarial valuation for the Local Government Plan and the Local Education Plan, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.75 percent investment rate of return (net of administrative expenses) and an annual health care cost trend rate of six percent in year 2017, and then be reduced by decrements to an ultimate rate of 4.645 percent by fiscal year 2050. Both rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 35-year period beginning with July 1, 2007. Payroll is assumed to grow at a rate of three percent.

I. Office of Central Accounting, Budgeting, and Purchasing

Office of Director of Finance

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

J. Purchasing Law

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

Copies of the complete financial statements of the County for the current Fiscal Year are available at http://www.comptroller.tn.gov/la/CountySelect.asp.