

NEW ISSUE
Book-Entry-Only

PRELIMINARY OFFICIAL STATEMENT

\$6,075,000*

HENDERSON COUNTY, TENNESSEE **General Obligation Refunding Bonds, Series 2019**

OFFERED FOR SALE NOT SOONER THAN

Thursday, May 2, 2019 at 10:15 a.m., E.D.T. / 9:15 a.m. C.D.T.
Through the Facilities of *PARITY*[®]

at the
OFFICES OF
Cumberland Securities Company, Inc.
Knoxville, Tennessee

Cumberland Securities Company, Inc.
Municipal Advisor

April 23, 2019

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 23, 2019

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 in calculating the 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.)

\$6,075,000*
HENDERSON COUNTY, TENNESSEE
General Obligation Refunding Bonds, Series 2019

Dated: Date of delivery (assume May 31, 2019).

Due: March 1 (as shown below)

The \$6,075,000* General Obligation Refunding Bonds, Series 2019 (the “Bonds”) of Henderson County, Tennessee (the “County” or the “Issuer”) 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 September 1, 2019 and thereafter on each March 1 and September 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 system, principal of and interest on the Bonds are payable at the designated corporate trust office of the Registration Agent.

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

The Bonds maturing on or after March 1, 2027 are subject to optional redemption prior to maturity on or after March 1, 2026 as described herein.

<u>Due</u> <u>(March 1)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>	<u>Due</u> <u>(March 1)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2020	\$ 1,055,000				2025	\$ 480,000			
2021	1,200,000				2026	475,000			
2022	505,000				2027	465,000			
2023	495,000				2028	460,000			
2024	490,000				2029	450,000			

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire *Preliminary 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, 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 May __, 2019.

Cumberland Securities Company, Inc.
Municipal Advisor

May __, 2019

* Preliminary, subject to change

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

This Preliminary 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 Preliminary 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 Preliminary 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 Preliminary Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Issuer, the Bonds, the Resolution, as herein after defined, the Disclosure Certificate, as herein after defined, 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 Preliminary 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 Municipal Advisor or the Underwriter, as herein after defined, to give any information or to make any representations other than those contained in this Preliminary 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 Municipal Advisor or the Underwriter. Except where otherwise indicated, all information contained in this Preliminary 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 Municipal Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Preliminary 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 Standard & Poor's CUSIP Service Bureau, a division of the McGraw-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

Eddie Bray	<i>County Mayor</i>
Lee Wilkinson	<i>Finance Director</i>
Carolyn Holmes	<i>County Clerk</i>
Samuel W. Hinson	<i>County Attorney</i>

BOARD OF COUNTY COMMISSIONERS

Terry Allen	Tommy Page
Andy Anderson	Wanda Powers
Celia Barrow	Timothy Rogers
Todd Beecham	Joe Ross
Shana Duke	Blake Stanfill
Jeff James	Harold Tyler
Mike Lefler Sr.	Aaron Wood

BOND COUNSEL

Bass, Berry & Sims PLC
Knoxville, Tennessee

BOND REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

MUNICIPAL ADVISOR

Cumberland Securities Company, Inc.
Knoxville, Tennessee

TABLE OF CONTENTS

SUMMARY STATEMENT	i
NOTICE OF SALE	iii
DETAILED NOTICE OF SALE	iv
EXHIBIT A	xiii
EXHIBIT B	xv
BID FORM	xvii
SECURITIES OFFERED	
Authority and Purpose	1
Refunding Plan	1
Description of the Bonds	1
Security	2
Qualified Tax-Exempt Obligations	2
Optional Redemption of the Bonds	2
Mandatory Redemption	3
Notice of Redemption	4
Payment of Bonds	4
BASIC DOCUMENTATION	
Registration Agent	5
Book-Entry-Only System	5
Discontinuance of Book-Entry-Only System	8
Disposition of Bond Proceeds	8
Discharge and Satisfaction of Bonds	9
Remedies of Bondholders	10
LEGAL MATTERS	
Litigation	11
Tax Matters	
<i>Federal</i>	11
<i>State Taxes</i>	13
Changes in Federal and State Law	13
Closing Certificates	14
Approval of Legal Proceedings	14
MISCELLANEOUS	
Rating	15
Competitive Public Sale	15
Municipal Advisor; Related Parties; Other	15
Additional Debt	16
Debt Limitations	17
Debt Record	17
Continuing Disclosure	17
<i>Five-Year Filing History</i>	17
<i>Content of Annual Report</i>	17
<i>Reporting of Significant Events</i>	18

<i>Termination of Reporting Obligation</i>	20
<i>Amendment; Waiver</i>	20
<i>Default</i>	20
Additional Information	21
CERTIFICATION OF ISSUER	22

APPENDIX A: LEGAL OPINION

APPENDIX B: SUPPLEMENTAL INFORMATION STATEMENT

General Information

Location	B-1
Transportation	B-1
Education	B-1
Healthcare	B-2
Manufacturing and Commerce	B-3
Employment Information	B-4
Economic Data	B-4
Recreation	B-5
Recent Developments	B-5

Debt Structure

Summary of Bonded Indebtedness	B-7
Indebtedness and Debt Ratios	B-8
Debt Service Requirements - General Obligation	B-10
Debt Service Requirements - General Obligation – Paid from General Fund & Debt Service Fund	B-11
Debt Service Requirements – Rural School Debt	B-12
Debt Service Requirements – General Purpose School Fund	B-13

Financial Information

Basis of Accounting and Presentation	B-14
Fund Balances and Retained Earnings	B-14
Five-Year Summary of Revenues, Expenditures and Changes in Fund Balance – General Fund	B-15
Investment and Cash Management Practices	B-16
Real Property Assessment, Tax Levy and Collection Procedures	
<i>State Taxation of Property</i>	B-16
<i>County Taxation of Property</i>	B-17
<i>Assessment of Property</i>	B-18
<i>Periodic Reappraisal and Equalization</i>	B-19
<i>Valuation for Property Tax Purposes</i>	B-19
<i>Certified Tax Rate</i>	B-19
<i>Tax Freeze for the Elderly Homeowners</i>	B-20
<i>Tax Collection and Tax Lien</i>	B-20
<i>Assessed Valuations</i>	B-21
<i>Property Tax Rates and Collections</i>	B-21
<i>Ten Largest Taxpayers</i>	B-22
Local Option Sales Tax	B-22
Pension Plans	B-22

APPENDIX C: GENERAL PURPOSE FINANCIAL STATEMENTS

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 *Preliminary Official Statement*. This Summary Statement shall not be reproduced, distributed or otherwise used except in conjunction with the remainder of this *Preliminary Official Statement*.

The Issuer	Henderson County, Tennessee (the “County” or “Issuer”). See the section entitled “Supplemental Information Statement” for more information.
Securities Offered.....	\$6,075,000* General Obligation Refunding Bonds, Series 2019 (the “Bonds”) of the County, dated the date of delivery (estimated to be May 31, 2019). The Bonds will mature each March 1 beginning March 1, 2020 through March 1, 2029, inclusive. See the section entitled “SECURITIES OFFERED – Authority and Purpose”.
Security.....	The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the County. For the prompt payment of principal and interest on the Bonds, the full faith and credit of the Issuer are irrevocably pledged.
Purpose	The Bonds are being issued for (i) the purpose of refinancing, in whole or in part, certain Outstanding Debt (as defined herein) of the County; and (ii) 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 are subject to optional redemption prior to maturity on or after March 1, 2026, at the redemption price of par plus accrued interest. See 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 in calculating the 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	Standard & Poor’s: “Applied For”. See the section entitled “MISCELLANEOUS - Rating” for more information.
Underwriter.....	_____ , _____ , _____ .
Municipal Advisor.....	Cumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled “MISCELLANEOUS - Municipal Advisor; Related Parties; Other”, herein.
Bond Counsel	Bass, Berry & Sims PLC, Knoxville, Tennessee.

* Preliminary, subject to change.

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

Registration and Paying AgentRegions Bank, Nashville, Tennessee (the “Registration Agent”).

GeneralThe Bonds are being issued in full compliance with applicable provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as supplemented and revised. See the section entitled 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.

DisclosureIn accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as amended, the County will provide the Municipal Securities Rulemaking Board (“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 InformationThe information in the *Preliminary 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 except for the omission of certain pricing and other information allowed to be omitted pursuant to Rule 15c2-12. For more information concerning the County or this *Preliminary Official Statement* contact Eddie Bray, County Mayor, 17 Monroe Avenue #4, Lexington, TN 38351, (731) 968-0122, or the County's Financial Advisor, Cumberland Securities Company, Inc., P.O. Box 24508 Knoxville, Tennessee 37933, Telephone: (865) 988-2663. Additional information regarding BiDCOMP™/PARITY® may be obtained from PARITY®, 1359 Broadway - 2nd Floor, New York, NY 10018, Telephone: (800) 850-7422.

GENERAL FUND BALANCES
For the Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Beginning Fund Balance	\$2,725,719	\$3,644,538	\$4,057,271	\$4,210,737	\$3,921,835
Revenues	9,401,504	8,965,269	9,380,877	9,243,980	9,144,188
Expenditures	8,495,093	8,770,699	9,644,496	9,624,422	8,944,636
Other Financing Sources:					
Transfers In	-	-	410,000	-	-
Transfers Out	-	-	-	-	-
Notes Proceeds	-	-	-	-	-
Insurance Recovery	12,408	218,163	7,085	91,540	36264
Net Change in Fund Balances	918,819	412,733	153,466	(288,902)	235,816
Ending Fund Balance	<u>\$3,644,538</u>	<u>\$4,057,271</u>	<u>\$4,210,737</u>	<u>\$3,921,835</u>	<u>\$4,157,651</u>

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

NOTICE OF SALE

\$6,075,000*

HENDERSON COUNTY, TENNESSEE

General Obligation Refunding Bonds, Series 2019

NOTICE IS HEREBY GIVEN that the County Mayor of Henderson County, Tennessee (the “County” or “Issuer”) will receive electronic or written bids for the purchase of all, but not less than all, of the County’s \$6,075,000* General Obligation Refunding Bonds, Series 2019 (the “Bonds”) at the office of the County’s Municipal Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863, until **10:15 a.m. E.D.T. / 9:15 a.m. C.D.T. on Thursday, May 2, 2019**. Prior to accepting bids, the County reserves the right to adjust the principal amount of the Bonds being offered as set forth in the Detailed Notice of Sale, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the **PARITY**[®] System not later than 9:30 a.m., Eastern Daylight Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours notice via Bloomberg News Service and/or the **PARITY**[®] System.

Electronic bids must be submitted through **PARITY**[®] via the BiDComp Competitive Bidding Service as described in the Detailed Notice of Sale and no other provider of electronic bidding services will be accepted. For the purposes of the bidding process, both written and electronic, the time maintained by **PARITY**[®] shall constitute the official time with respect to all bids. To the extent any instructions or directions set forth in **PARITY**[®] conflict with the terms of the Detailed Notice of Sale and this Summary Notice of Sale, the Detailed Notice of Sale and this Summary Notice of Sale shall prevail.

The Bonds will be issued in book-entry form (except as otherwise described in the “Detailed Notice of Sale”) and dated their date of issuance and delivery (assume May 31, 2019) and will mature on March 1, 2020 through March 1, 2029, inclusive with term bonds optional, and will be subject to redemption prior to maturity on March 1, 2026. Bidders must bid not less than ninety-nine and one-quarter percent (99.25%) of par or no more than one hundred and twenty-five percent (125%) of par for the Bonds. The approving opinion for the Bonds will be furnished at the expense of the County by Bass, Berry & Sims PLC, Bond Counsel, Knoxville, Tennessee. No rate or rates bid for the Bonds shall exceed five percent (5.00%) per annum. Unless bids are rejected, the Bonds will be awarded by the County Mayor of the County on the sale date to the bidder whose bid results in the lowest true interest rate on the Bonds.

In the event that the competitive sale requirements of applicable Treasury Regulations are not met, the County will require bidders to comply with the “hold-the-offering-price rule” or the “10% Test” for purposes of determining the issue price of the Bonds.

Additional information, including the PRELIMINARY OFFICIAL STATEMENT in near final form and the Detailed Notice of Sale, may be obtained through www.prospectushub.com or from the County’s Municipal Advisor, Cumberland Securities Company, Inc., Knoxville, Tennessee (865) 988-2663. Further information regarding **PARITY**[®] may be obtained from i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone: 212-849-5000.

/s/ Eddie Bray
County Mayor

DETAILED NOTICE OF SALE

\$6,075,000*

HENDERSON COUNTY, TENNESSEE

General Obligation Refunding Bonds, Series 2019

NOTICE IS HEREBY GIVEN that electronic or written bids will be received by the County Mayor of Henderson County, TENNESSEE (the “County” or “Issuer”), all or none, until **10:15 a.m. E.D.T. / 9:15 a.m. C.D.T. on Thursday, May 2, 2019** (or at such later time and date announced at least forty-eight hours in advance via Bloomberg News Service or the **PARITY**[®] system) for the purchase of \$6,075,000* General Obligation Refunding Bonds, Series 2019 (the “Bonds”). Electronic bids must be submitted through **PARITY**[®] as described in this “Detailed Notice of Sale.” In case of written bids, bids will be received at the office of the County’s Municipal Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863. Prior to accepting bids, the County reserves the right to adjust the principal amount of the Bonds being offered as set forth herein, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the **PARITY**[®] System not later than 9:30 a.m., Eastern Daylight Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours notice via Bloomberg News Service and/or the **PARITY**[®] System.

Description of the Bonds. The Bonds will be issued in book-entry only form without coupons and will be issued or reissued upon transfer, in \$5,000 denominations or multiples thereof, as shall be requested by the purchaser or registered owner thereof, as applicable. Interest on the Bonds will be payable on March 1 and September 1 of each year, commencing September 1, 2019.

The Bonds will mature and be payable on March 1 of each year as outlined below:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2020	\$ 1,055,000	2025	\$ 480,000
2021	1,200,000	2026	475,000
2022	505,000	2027	465,000
2023	495,000	2028	460,000
2024	490,000	2029	450,000

Bank Qualification. The Bonds are “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended.

Registration and Depository Participation. The Bonds, when issued, will be registered in the name of Cede & Co., DTC’s partnership nominee. 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 or more fully-registered bond certificates (the “Bond Certificates”) will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC. The Book-Entry-Only system will evidence beneficial ownership interests of the Bonds in the principal amount of \$5,000 for the Bonds and any integral multiple of \$5,000, with transfers of beneficial ownership interest effected on the records of DTC participants and, if necessary, in turn by DTC, pursuant

to rules and procedures established by DTC and its participants. The successful bidder, as a condition to delivery of the Bonds, shall be required to deposit the bond certificates with DTC, registered in the name of Cede & Co., nominee of DTC. The Bonds will be payable, at maturity, to DTC or its nominee, as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC, and transfer of principal and interest payments (as applicable) to beneficial owners of the Bonds by participants of DTC, will be the responsibility of such participants and of the nominees of beneficial owners. The County will not be responsible or liable for such transfer of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. Notwithstanding the foregoing, if the winning bidder certifies that it intends to hold the Bonds for its own account and has no present intent to re-offer the Bonds, the use of the Book-Entry-Only System is not required.

In the event that the Book-Entry-Only System for the Bonds is discontinued and a successor securities depository is not appointed by the County, the Bond Certificates in fully registered form will be delivered to, and registered in the names of the DTC participants or such other persons as such DTC participants may specify (which may be the indirect participants or beneficial owners), in authorized denominations of \$5,000 for the Bonds or integral multiples thereof. The ownership of Bonds so delivered shall be registered in registration books to be kept by the Registration Agent (named herein) at its principal corporate trust office, and the County and the Registration Agent shall be entitled to treat the registered owners of the Bonds, as their names appear in such registration books as of the appropriate dates, as the owners thereof for all purposes described herein and in the Resolution authorizing the Bonds.

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

Purpose. The Bonds are being issued for (i) the purpose of refinancing, in whole or in part, certain Outstanding Debt (as defined herein) of the County; and (ii) 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 on and after March 1, 2027 will be subject to optional redemption prior to maturity at the option of the County, in whole or in part at any time on and after March 1, 2026 at the redemption price of par plus accrued interest as provided herein.

Term Bond Option; Mandatory Redemption. Bidders shall have the option to designate certain consecutive serial maturities of the Bonds as one or more term bonds ("Term Bonds") bearing a single interest rate. If the successful bidder for the Bonds designates certain consecutive serial maturities of such series of Bonds to be combined as one or more Term Bonds as allowed herein, then each Term Bond shall be subject to mandatory sinking fund redemption by the County at a redemption price equal to one hundred percent (100%) of the principal amount thereof, together with accrued interest to the date fixed for redemption at the rate stated in the Term Bonds to be redeemed. Each such mandatory sinking fund redemption shall be made on the date on which a consecutive maturity included as part of a Term Bond is payable in accordance with the proposal of the successful bidder for the Bonds and in the amount of the maturing principal installment for the Bonds listed herein for such principal payment date. Term Bonds to be redeemed within a single maturity shall be selected in the same manner as above for optional redemption of Bonds within a single maturity.

Bidding Instructions. The County will receive electronic or written bids for the purchase of all, but not less than all, of the Bonds. Bidders for the Bonds are requested to name the interest rate or rates the

Bonds are to bear in multiples of one-eighth of one percent and/or one-hundredth of one percent (.01%) or one (1) basis point, but no rate specified shall be in excess of five percent (5.00%) per annum. There will be no limitation on the number of rates of interest that may be specified in a single bid for the Bonds but a single rate shall apply to each single maturity of the Bonds. Bidders must bid not less than ninety-nine and one-quarter percent (99.25%) of par or no more than one hundred and twenty-five percent (125%) of par.

Electronic bids must be submitted through **PARITY**[®] via BiDCOMP Competitive Bidding System and no other provider of electronic bidding services will be accepted. Subscription to the i-Deal LLC Dalcomp Division's BiDCOMP Competitive Bidding System is required in order to submit an electronic bid. The County will not confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. For the purposes of the bidding process, the time as maintained by **PARITY**[®] shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in **PARITY**[®] conflict with the terms of the Detailed Notice of Sale, this Notice shall prevail. An electronic bid made through the facilities of **PARITY**[®] shall be deemed an offer to purchase in response to the Detailed Notice of Sale and shall be binding upon the bidder as if made by a signed, written bid delivered to the County. The County shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by **PARITY**[®]. The use of **PARITY**[®] facilities are at the sole risk of the prospective bidders.

For further information regarding **PARITY**[®], potential bidders may contact i-Deal LLC at 1359 Broadway, 2nd Floor, New York, NY 10018, Telephone: 212-849-5000.

In the event of a system malfunction in the electronic bidding process only, bidders may submit bid prior to the established date and time by FACSIMILE transmission sent to the County's Municipal Advisor, Cumberland Securities Company, Inc., at 865-988-1863. Any facsimile submission is made at the sole risk of the prospective bidder. The County and the Municipal Advisor shall not be responsible for confirming receipt of any facsimile bid or for any malfunction relating to the transmission and receipt of such bids.

Separate written bids should be submitted by facsimile to the County's Municipal Advisor, at 865-988-1863. Written bids must be submitted on the Bid Forms included with the PRELIMINARY OFFICIAL STATEMENT.

Acceptance or rejection of "Bids for Bonds" for the Bonds will not obligate the County to accept or reject "Bids for Bonds".

Unless all bids for the Bonds are rejected, the Bonds will be awarded by the Mayor of the County to the bidder whose bid complies with this notice and results in the lowest true interest rate on the Bonds to be calculated as that rate that, when used in computing the present worth of all payments of principal and interest on the Bonds (compounded semi-annually from the date of the Bonds), produces an amount equal to the purchase price of the Bonds exclusive of accrued interest. For purposes of calculating the true interest cost, the principal amount of Term Bonds scheduled for mandatory sinking fund redemption as part of the Term Bond shall be treated as a serial maturity in such year. In the event that two or more bidders offer to purchase the Bonds at the same lowest true interest rate, the County Mayor shall determine in his sole discretion which of the bidders shall be awarded the Bonds.

The County reserves the right to reject all bids and to waive informalities in the bids accepted.

Adjustment and/or Revision. While it is the County's intention to sell and issue the approximate par amounts of the Bonds as offered herein, there is no guarantee that adjustment and/or revision may not be necessary in order to properly size the Bonds. Accordingly, the County Mayor reserves the right, in

his sole discretion, to adjust down the original par amount of the Bonds by up to twenty-five percent (25%). The primary factor to be considered in such adjustment is the amount of premium that is bid. Among other factors the County Mayor may (but shall be under no obligation to) consider in sizing the par amounts and individual maturities of the Bonds is the size of individual maturities or sinking fund installments and/or other preferences of the County. Additionally, the County Mayor reserves the right to change the dated date of the Bonds. The maximum revision will occur if the winning bidder bids the maximum price.

In the event of any such adjustment and/or revision with respect to the Bonds, no rebidding will be permitted, and the portion of such premium or discount (as may have been bid for the Bonds) shall be adjusted in the same proportion as the amount of such revision in par amount of the Bonds bears to the original par amount of such Bonds offered for sale.

The successful bidder for the Bonds will be tentatively notified by not later than 5:00 p.m. (Eastern Standard Time), on the sale date of the exact revisions and/or adjustments required, if any.

Good Faith Deposit. No good faith check will be required to accompany any bid submitted. The successful bidder shall be required to deliver to the County's Municipal Advisor (via wire transfer or certified check) the amount of up to two percent (2%) of the aggregate principal amount of the Bonds offered for sale which will secure the faithful performance of the terms of the bid. A certified check or wire transfer must be received by the County's Municipal Advisor no later than the close of business on the day following the competitive sale. A wire transfer may be sent to First Tennessee Bank, ABA Number: 084-000-026 First Tenn Mem, FAO Cumberland Securities Company, Inc., Account No. 183302631, for further credit to Good Faith Trust Account.

The good faith deposit shall be applied (without interest) to the purchase price of the Bonds. If the successful bidder should fail to accept or pay for the Bonds when tendered for delivery and payment, the good faith deposit will be retained by the County as liquidated damages.

In the event of the failure of the County to deliver the Bonds to the purchaser in accordance with the terms of this Notice within forty-five (45) days after the date of the sale, the good-faith deposit will be promptly returned to the purchaser unless the purchaser directs otherwise.

Establishment of Issue Price

Undertakings of the Successful Bidder. The successful bidder shall make a bona fide public offering of the Bonds and shall, within 30 minutes after being notified of the award of the Bonds, advise the County in writing (via facsimile transmission or electronic mail) of the initial public offering prices of the Bonds (the "Initial Reoffering Prices"). The successful bidder must, by facsimile transmission or delivery received by the County within 24 hours after award, furnish the following information to the County to complete the Official Statement in final form, as described below:

- A. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all the Bonds are sold at the prices or yields at which the successful bidder advised the County that the Bonds were initially offered to the public).
- B. The identity of the other underwriters if the successful bidder is part of a group or syndicate.
- C. Any other material information that the County determines is necessary to complete the Detailed Statement in final form.

After the award of the Bonds, the County will prepare copies of the final Official Statement and will include therein such additional information concerning the reoffering of the Bonds as the successful bidder may reasonably request; provided, however, that the County will not include in the final Official Statement a “NRO” (“not reoffered”) designation with respect to any maturity of the Bonds. The successful bidder will be responsible to the County in all aspects for the accuracy and completeness of information provided by such successful bidder with respect to such reoffering.

The County expects the successful bidder to deliver copies of such Official Statement in final form (the “Final Official Statement”) to persons to whom such bidder initially sells the Bonds and the Municipal Securities Rulemaking Board (“MSRB”) via the MSRB’s Electronic Municipal Market Access System (“EMMA”). The successful bidder will be required to acknowledge receipt of the Final Official Statement, to certify that it has made delivery of the Final Official Statement to the MSRB, to acknowledge that the County expects the successful bidder to deliver copies of such Final Official Statement to persons to whom such bidder initially sells the Bonds and to certify that the Bonds will only be offered pursuant to the Final Official Statement and only in states where the offer is legal.

Issue Price Certificate

- a. The successful bidder shall assist the County in establishing the issue price of the Bonds and shall execute and deliver to the County, on or prior to the date of issuance and delivery of the Bonds (the “Closing Date”), an “issue price” or similar certificate setting forth the reasonably expected initial offering prices to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A or Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the County and Bass, Berry & Sims PLC (“Bond Counsel”). All actions to be taken by the County under this Detailed Notice of Bond Sale to establish the issue price of the Bonds may be taken on behalf of the County by the Municipal Advisor and any notice or report to be provided to the County may be provided to the Municipal Advisor.
- b. The County intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “Competitive Sale Requirements”) because:
 1. the County shall disseminate this Detailed Notice of Bond Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
 2. all bidders shall have an equal opportunity to bid;
 3. the County may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds;
 4. the County anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Detailed Notice of Bond Sale; and
 5. Any bid submitted pursuant to this Detailed Notice of Bond Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.
- c. In the event that the Competitive Sale Requirements are not satisfied, the County shall so advise the successful bidder. The County may determine to treat (i) the first price at which 10% of a

maturity of the Bonds (the “10% Test”) is sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the “Hold-the-Offering-Price Rule”), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The successful bidder shall advise the County if any maturity of the Bonds satisfies the 10% Test as of the date and time of the award of the Bonds. The County shall promptly advise the successful bidder, at or before the time of award of the Bonds, which maturities (and if different interest rates apply within a maturity, which separate CUSIP number within that maturity) of Bonds shall be subject to the 10% Test or shall be subject to the Hold-the-Offering-Price Rule. Bids will not be subject to cancellation in the event that the County determines to apply the Hold-the-Offering-Price Rule to any maturity of the Bonds. Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the Hold-the-Offering-Price Rule in order to establish the issue price of the Bonds.

- d. By submitting a bid, the successful bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the “Initial Offering Price”), or at the corresponding yield or yields, set forth in the bid submitted by the successful bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the Hold-the-Offering-Price Rule shall apply to any person at a price that is higher than the Initial Offering Price to the public during the period starting on the sale date and ending on the earlier of the following:
 1. the close of the fifth (5th) business day after the sale date; or
 2. the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public.

The successful bidder shall promptly advise the County when the underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

- e. If the Competitive Sale Requirements are not satisfied, then until the 10% Test has been satisfied as to each maturity of the Bonds, the successful bidder agrees to promptly report to the County the prices at which the unsold Bonds of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% Test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold.
- f. The County acknowledges that, in making the representation set forth above, the successful bidder will rely on (i) the agreement of each underwriter to comply with the Hold-the-Offering-Price Rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the Hold-the-Offering-Price Rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the Hold-the-Offering-Price Rule, as set forth in the retail distribution agreement and the related pricing wires. The County further acknowledges that each underwriter shall be solely liable for its failure to comply with its

agreement regarding the Hold-the-Offering-Price Rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the Hold-the-Offering-Price Rule as applicable to the Bonds.

- g. By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the successful bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder or such underwriter that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the successful bidder or such underwriter and as set forth in the related pricing wires.
- h. Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Detailed Notice of Bond Sale. Further, for purposes of this Detailed Notice of Bond Sale:
 - 1. “public” means any person other than an underwriter or a related party;
 - 2. “underwriter” means (A) any person that agrees pursuant to a written contract with the County (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public);
 - 3. a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

4. “sale date” means the date that the Bonds are awarded by the County to the successful bidder.

Issue Price Certificate. The winning bidder will be required to provide the County, at closing, with an issue price certificate consistent with the foregoing. A form of the issue price certificate is attached to this Detailed Notice of Sale as Exhibit A if the Hold-the-Offering-Price Rule does not apply, and a form of the issue price certificate is attached to the Detailed Notice of Sale as Exhibit B if such Rule does apply.

Legal Opinion. The unqualified approving opinion of Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel along with other certificates including, but not limited to, a tax certificate and a continuing disclosure certificate dated as of the date of delivery of the Bonds will be furnished to the purchaser at the expense of the County. As set forth in the *Preliminary Official Statement*, Bond Counsel's opinion with respect to the Bonds will state that interest on the Bonds will be excluded from gross income for federal income tax purposes; is not an item of tax preference for purposes of the federal law alternative minimum tax. As set forth in the *Preliminary Official Statement*, the owners of the Bonds, however, may be subject to certain additional taxes or tax consequences arising with respect to ownership of the Bonds. Reference is hereby made to the *Preliminary Official Statement* and the form of the opinion contained in Appendix A.

Continuing Disclosure. At the time the Bonds are delivered, the County will execute a Continuing Disclosure Certificate in which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the County by not later than twelve months after each of the County's fiscal years, (the “Annual Report”), and to provide notice of the occurrence of certain enumerated events. The Annual Report (and audited financial statements, if filed separately) will be filed with the Municipal Securities Rulemaking Board (“MSRB”) and any State Information Depository established in the State of Tennessee (the “SID”). If the County is unable to provide the Annual Report to the MSRB and the SID by the date required, notice of each failure will be sent to the MSRB and the SID on or before such date. The specific nature of the information to be contained in the Annual Report or the notices of events will be summarized in the County's *Official Statement* to be prepared and distributed in connection with the sale of each series of Bonds.

Delivery of Bonds. Delivery of the Bonds is expected within forty-five (45) days. At least five (5) days notice will be given the successful bidder. Delivery will be made in book-entry form through the facilities of the Depository Trust Company, New York, New York. Payment for the Bonds must be made in *Federal Funds* or other immediately available funds. Delivery is currently expected on or about May 31, 2019.

CUSIP Numbers. CUSIP numbers will be assigned to the Bonds at the expense of the County. The County will assume no obligation for assignment of such numbers or the correctness of such numbers and neither failure to record such numbers on Bonds nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and make payment for the Bonds.

Official Statements; Other. The County has deemed the PRELIMINARY OFFICIAL STATEMENT to be final as of its date within the meaning of Rule 15c2-12 of the U.S. Securities and Exchange Commission (the “SEC”) except for the omission of certain pricing and other information. The County will furnish the successful bidder at the expense of the County a reasonable number of copies of the *Official Statement* in final form, containing the pricing and other information to be supplied by the successful bidder and to be dated the date of the sale, to be delivered by the successful bidder(s) to the persons to whom such

bidder and members of its bidding group initially sell the Bonds. Acceptance of the bid will constitute a contract between the County and the successful bidder for the provision of such copies within seven business days of the sale date.

Further Information. Additional information, including the *Preliminary Official Statement*, the Detailed Notice of Sale and the Official Bid Form, may be obtained from the County's Municipal Advisor, Cumberland Securities Company, Inc., P.O. Box 22715, Knoxville, Tennessee 37933, Telephone: 865-988-2663. Further information regarding **PARITY**[®] may be obtained from i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone: 212-849-5000.

/s/ Eddie Bray, County Mayor

(The remainder of this page left blank intentionally.)

EXHIBIT A

HENDERSON COUNTY, TENNESSEE \$ _____ General Obligation Refunding Bonds, Series 2019

ISSUE PRICE CERTIFICATE (for Competitive Sales, to be modified if Hold the Offering Price Rule applies)

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”) of the Henderson County, Tennessee (the “Issuer”).

1. *Reasonably Expected Initial Offering Price.*

- (a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.
- (b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.
- (c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

2. *Defined Terms.*

- (a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.
- (c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is May 2, 2019.
- (d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bass, Berry & Sims PLC in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: _____

[NAME OF UNDERWRITER]

By: _____

Name: _____

Title: _____

EXHIBIT B

HENDERSON COUNTY, TENNESSEE \$ _____ General Obligation Refunding Bonds, Series 2019

ISSUE PRICE CERTIFICATE (if Hold-the-Offering-Price Rule applies)

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”) [and the other members of the underwriting syndicate (together, the “Underwriting Group”)], hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”) of the Henderson County, Tennessee (the “Issuer”).

1. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***

- (a) [SHORT NAME OF UNDERWRITER] [The Underwriting Group] offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.
- (b) As set forth in the [Notice of Sale and bid award], [SHORT NAME OF UNDERWRITER][the members of the Underwriting Group] agreed in writing on or prior to the Sale Date that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, [it][they] would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

2. ***Defined Terms.***

- (a) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”
- (b) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which [SHORT NAME OF UNDERWRITER][the Underwriting Group] sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

- (c) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.
- (d) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.
- (e) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is May 2, 2019.
- (f) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bass, Berry & Sims PLC connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: _____

[NAME OF UNDERWRITER]

By: _____

Name: _____

Title: _____

BID FORM

Honorable Eddie Bray, County Mayor
 17 Monroe Avenue, #4
 Lexington, TN 38351

May 2, 2019

Dear Mayor Bray:

For your legally issued, properly executed \$6,075,000* General Obligation Refunding Bonds, Series 2019 (the "Bonds") of Henderson County, Tennessee (the "County") in all respects as more fully outlined in your Notices of Sale which by reference are made a part hereof, we will pay you a sum of _____.

The Bonds shall be dated the date of delivery (assume May 31, 2019) and shall be callable in accordance with the Detailed Notice of Sale. The Bonds shall mature on March 1 and bear interest at the following rates:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>Year</u>	<u>Amount*</u>	<u>Rate</u>
2020	\$ 1,055,000	_____ %	2025	\$ 480,000	_____ %
2021	1,200,000	_____ %	2026	475,000	_____ %
2022	505,000	_____ %	2027	465,000	_____ %
2023	495,000	_____ %	2028	460,000	_____ %
2024	490,000	_____ %	2029	450,000	_____ %

We have the option to designate two or more consecutive serial maturities of the Bonds as term bond maturities as indicated:

- Term Bond 1: Maturities from March 1, 20_____ through March 1, 20_____ @ _____ %.
- Term Bond 2: Maturities from March 1, 20_____ through March 1, 20_____ @ _____ %.
- Term Bond 3: Maturities from March 1, 20_____ through March 1, 20_____ @ _____ %.
- Term Bond 4: Maturities from March 1, 20_____ through March 1, 20_____ @ _____ %.
- Term Bond 5: Maturities from March 1, 20_____ through March 1, 20_____ @ _____ %.

It is our understanding that the Bonds will be issued as "qualified tax-exempt obligations" are subject to the final approving opinion of Bass, Berry & Sims PLC, Bond Counsel, Knoxville, Tennessee, whose opinion together with the executed Bonds, will be furnished by the County without cost to us.

If our bid is accepted, we agree to provide a good faith deposit for 2% of the aggregate principal amount of the Bonds on which we have bid by the close of business on the date of the competitive public sale as outlined in the *Detailed Notice of Sale*. Should for any reason we fail to comply with the terms of this bid, this good faith deposit shall be forfeited by us as full liquidated damages. Otherwise, this good faith deposit shall be applied to the purchase price of the Bonds on which we have bid.

This bid is a firm offer for the purchase of the Bonds identified in the Notice of Sale, on the terms set forth in this bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale. By submitting this bid, we confirm that we have an established industry reputation for underwriting new issuances of municipal bonds. [If the bidder cannot confirm an established industry reputation for underwriting new issuances of municipal bonds, the preceding sentence should be crossed out.]

Accepted for and on behalf of the
 Henderson County, Tennessee, this
 2nd day of May, 2019.

Respectfully submitted,

 Eddie Bray, County Mayor

 Total interest cost from
 May 31, 2019 to final maturity \$__
 Less: Premium /plus discount, if any \$ _____
 Net Interest Cost..... \$ _____
 True Interest Rate..... _____ %

The computations of net interest cost and true interest rate are for comparison purposes only and are not to be considered as part of this proposal.

\$6,075,000*
HENDERSON COUNTY, TENNESSEE
General Obligation Refunding Bonds, Series 2019

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This *Preliminary Official Statement*, which includes the Summary Statement and appendices, is furnished in connection with the offering by Henderson County, Tennessee (the “County” or “Issuer”) of its \$6,075,000* General Obligation Refunding Bonds, Series 2019 (the “Bonds”).

The Bonds are authorized to be issued pursuant to the provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as supplemented and amended, and other applicable provisions of law and pursuant to the bond resolution (the “Resolution”) duly adopted by the County Commission of the County on April 8, 2019.

The Bonds are being issued for (i) the purpose of refinancing, in whole or in part, certain Outstanding Debt (as defined herein) of the County; and (ii) payment of the costs related to the issuance and sale of the Bonds. See the section entitled “SECURITIES OFFERED - Authority and Purpose” contained herein.

REFUNDING PLAN

The County is proposing to issue the Bonds to refinance the County’s outstanding: (1) General Obligation Bonds, Series 2008, dated December 11, 2008, maturing April 1, 2020 and April 1, 2021 in the outstanding principal amount of \$1,400,000 (the “Series 2008 Bonds”) and (2) General Obligation Bonds, Series 2009, dated November 10, 2009, maturing April 1, 2020 through April 1, 2029 in the outstanding principal amount of \$4,500,000 (the “Series 2009 Bonds”) (collectively, the “Outstanding Bonds”). The Outstanding Debt will be called for redemption within 90 days of the closing.

As required by Title 9, Chapter 21, Part 9 of *Tennessee Code Annotated* as supplemented and revised, a plan of refunding (the “Plan”) for the Outstanding Debt was submitted to the Director of the Office of State and Local Finance for review, and a report was received thereon.

DESCRIPTION OF THE BONDS

The Bonds will be initially dated and bear interest from their date of issuance and delivery (assume May 31, 2019). Interest on the Bonds will be payable semi-annually on March 1 and September 1, commencing September 1, 2019. 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 shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the County. For the prompt payment of principal of, premium, if any, 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 or other available funds of the County to the payment of debt service on the Bonds.

The Bonds will not be obligations of the State of Tennessee.

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

The Bonds maturing March 1, 2027 and thereafter are subject to optional redemption prior to maturity on or after March 1, 2026 in whole or in part at any time 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

The bidders have the option of creating term bonds pursuant to the Detailed Notice of Sale. If term bonds are created, then the following provisions will apply. Subject to the credit hereinafter provided, the County shall redeem Bonds maturing March 1, 20__, and March 1, 20__ 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 shall be selected in the same manner as is described above relating to optional redemption.

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

<u>Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
-----------------	----------------------------	---

*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) of this subsection 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 dated 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 Bond Registrar 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.

(The remainder of this page left blank intentionally.)

BASIC DOCUMENTATION

REGISTRATION AGENT

The Bond Registration and Paying Agent, Regions Bank, Nashville, Tennessee, its successor (the “Registration Agent”) 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 described in the following section entitled “Book-Entry-Only System”. However, if the winning bidder certifies to the County that it intends to hold the Bonds for its own account and has no present intent to reoffer the Bonds, then the use of the Book-Entry System is not required.

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 (as herein after defined) 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 (as herein after defined) of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners, as herein after defined, 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 Rating of AA+. The DTC rules applicable to its Participants are on file with the U.S. 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 the 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 for 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 MUNICIPAL 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 Municipal 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 system has been obtained from sources that the County believes to be reliable, but the County, the Bond Counsel, the Registration Agent, the Municipal Advisor and the Underwriter 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, the Municipal Advisor or the Underwriter 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) an amount, which together with investment earnings thereon and other legally available funds of the County, if any, will be sufficient to pay principal of, premium, if any, and interest on the Outstanding Debt until and through the redemption date therefor shall be transferred to the paying agent and/or trustee for the Outstanding Debt to be held to the earliest optional redemption date and used for the payment and retirement of the Outstanding Debt; and
- (b) the remainder of the proceeds of the sale of the Bonds shall be used to pay the costs of issuance the Bonds, and all necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, bond insurance premium, if any, administrative and clerical costs, rating agency fees, registration agent fees, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds.

(The remainder of this page left blank intentionally.)

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:

- (a) 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;
- (b) 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 or such notice); or
- (c) 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 (defined herein) deposited as aforesaid.

Except as otherwise provided in this section, neither Defeasance Obligations nor moneys deposited with the Registration Agent 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 hereof, Defeasance Obligations shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, 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.

(The remainder of this page left blank intentionally.)

LEGAL MATTERS

LITIGATION

There are no claims against the County, including claims in litigation, which, in the opinion of the County, would materially affect the County's financial position as it relates to its ability to make payments on the Bonds. 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. See the subsection entitled "Closing Certificates" for additional information.

TAX MATTERS

Federal

General. Bass, Berry & Sims PLC, Knoxville, 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"), and
- is not treated as an item of tax preference in calculating the 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 the section "CHANGES IN FEDERAL AND STATE 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 a 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 an 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, 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.”

(The remainder of this page left blank intentionally.)

MISCELLANEOUS

RATING

Standard & Poor's ("S&P") has given the Bonds the rating of "Applied For".

There is no assurance that such ratings 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 ratings 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 will be offered for sale at competitive public bidding on May 2, 2019. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated April 23, 2019.

The successful bidder for the Bonds was an account led by _____, _____, _____ (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 \$_____ (consisting of the par amount of the Bonds, less an underwriter's discount of \$_____ and an original issue discount of \$_____) or ____% of par plus accrued interest, if any, to the date of delivery.

MUNICIPAL ADVISOR; RELATED PARTIES; OTHER

Municipal Advisor. Cumberland Securities Company, Inc., Knoxville, Tennessee, has served as Municipal Advisor (the "Municipal 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 Municipal 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 Municipal Advisor, and inclusion of such information is not, and should not be construed as, a representation by the Municipal Advisor as to its accuracy or completeness or otherwise. The Municipal 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 Statements. 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 Municipal 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. 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 at this time. However, the County has ongoing needs that may or may not require the issuance of additional debt.

DEBT LIMITATIONS

Pursuant to Title 9, Chapter 21, Part 1 *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, 2019 (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 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 such 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-9;
3. Information about the Bonded Debt Service Requirements – General Obligation Debt – Paid from General Fund and General 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 earnings 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 the MSRB 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;

- n. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- o. Incurrence of a financial obligation (which includes a debt obligation, a derivative instrument entered into connection with, or pledged as security or as a source of payment for, an existing or planned debt obligation, or a guarantee of debt obligation or derivative instrument) of the County, if material, or agreement as to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the County, any of which affect security holders, if material; and
- p. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation (as described above) of the County, any of which reflect financial difficulties.

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 PRELIMINARY OFFICIAL STATEMENT as “final” as of its date within the meaning of Rule 15c2-12 except for the omission of certain pricing information allowed to be omitted pursuant to Rule 15c2-12.

(The remainder of this page left blank intentionally.)

(The remainder of this page left blank intentionally.)

CERTIFICATION OF ISSUER

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/
County Mayor

ATTEST:

/s/
County Clerk

APPENDIX A

PROPOSED FORM OF 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 \$_____ General Obligation Refunding Bonds, Series 2019 (the "Bonds") dated _____, 2019. 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,

26440072.1

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 County 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 served 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 have 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 2017 enrollment of 3,849 students and 244 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 2017 enrollment of 803 students and 51 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 2017 enrollment was 4,786 students. There are also three satellite campuses: Savannah (Hardin County), Lexington (Henderson County) and Humboldt (Gibson County).

Source: Jackson State Community College.

The Tennessee College of Applied Technology at Jackson Lexington Extension Campus. The Tennessee College of Applied Technology at Jackson (the “TCAT-J”) is part of a statewide system of 26 vocational-technical schools. The TCAT-J 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 TCAT-J serves the southwest region of the state including Madison, Gibson, Henderson, Crocket and Chester Counties. The TCAT-J began operations in 1963, and the main campus is located in Madison County. Fall 2016 enrollment was 940 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 College of Applied Technology at Jackson.

There are many other opportunities 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:

<u>Company</u>	<u>Product</u>	<u>Employees</u>
Nidec Corporation	Elec. Motors and Generators	600
Henderson County School System*	Education	318
Fluid Routing Solutions	Automotive Hoses	300
Adient	Automotive Seats	282
Auto Zone	Distribution/Warehouse	250
Columbus-McKinnon Corp.	Steel Chains	200
Young Touchstone Inc.	Radiators	180
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	74
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 – 2018.

[balance of page has been left blank]

EMPLOYMENT

The County's unemployment rate as of January 2019 was 5.2%, representing 11,450 persons employed in a total labor force of 12,070 persons (see following chart).

	Unemployment				
	Annual Average	Annual Average	Annual Average	Annual Average	Annual Average
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
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				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
National	\$44,826	\$47,025	\$48,940	\$49,831	\$51,640
Tennessee	\$39,549	\$40,977	\$42,810	\$43,932	\$45,517
Henderson County	\$31,320	\$32,135	\$32,687	\$33,416	\$34,453
Index vs. National	70	68	67	67	67
Index vs. State	79	78	76	76	76

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

[balance of page has been left blank]

Social and Economic Characteristics

	<u>National</u>	<u>Tennessee</u>	<u>Henderson County</u>	<u>Lexington</u>
Median Value Owner Occupied Housing	\$193,500	\$151,700	\$92,700	\$101,500
% High School Graduates or Higher Persons 25 Years Old and Older	87.30%	86.50%	81.0%	78.3%
% Persons with Income Below Poverty Level	12.30%	15.00%	15.2%	26.9%
Median Household Income	\$57,652	\$48,708	\$42,711	\$38,468

Source: U.S. Census Bureau State & County QuickFacts - 2017.

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 expanded its current operations at the former Leroy-Somer facility in 2018. The electric motor manufacturer created 301 new jobs and invested \$18 million in Henderson County. 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.

[balance of page has been left blank]

HENDERSON COUNTY, TENNESSEE

Summary of Long Term Indebtedness

AMOUNT ISSUED	PURPOSE	DUE DATE	INTEREST RATE(S)	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
2,310,000	General Obligation Bonds, Series 2018	April 2033	Fixed	2,310,000
\$ 37,479,199	Total Debt			\$ 23,808,210
\$ 6,075,000	General Obligation Refunding Bonds, Series 2019	April 2029	Fixed	\$ 6,075,000
(14,900,000)	Less: Refunded Debt (2008 Bonds and 2009 Bonds)			(5,900,000)
\$ 28,654,199	Total Net Debt			\$ 23,983,210

Estimated

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				After Issuance	
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>		<u>2018</u>
INDEBTEDNESS						
TAX SUPPORTED						
General Obligation Bonds & Notes	24,995,826	23,849,382	21,796,810	19,733,086	17,923,210	20,408,210
TOTAL TAX SUPPORTED	\$ 24,995,826	\$ 23,849,382	\$ 21,796,810	\$ 19,733,086	\$ 17,923,210	\$ 20,408,210
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	\$ 23,983,210
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	\$ 21,605,597
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

	Fiscal Year Ending June 30				After Issuance	
	2014	2015	2016	2017		2018
DEBT RATIOS - COUNTY-WIDE						
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	27,751	27,751	27,751
PER CAPITA PERSONAL INCOME (2)	\$32,135	\$32,687	\$33,416	\$34,453	\$34,453	\$34,453
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				After Issuance	
	2014	2015	2016	2017		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%
<i>PER CAPITA RATIOS - RURAL</i>						
POPULATION (1)	20,184	20,193	20,053	19,982	19,982	19,982
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 Ended June 30	Total Existing Debt - as of August 15, 2018 (1)			General Obligation Refunding Bonds, Series 2019			Less: Debt Refunded			Total General Obligation Debt			% All Principal Repaid
	Principal	Interest	TOTAL	Principal	Interest(2)	TOTAL	Principal	Interest	TOTAL	Principal	Interest	TOTAL	
2019	\$ 1,810,000	\$ 544,923	\$ 2,354,923	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,810,000	\$ 544,923	\$ 2,354,923	9.46%
2020	1,795,000	511,715	2,306,715	1,055,000	99,338	1,154,338	(950,000)	(234,588)	(1,184,588)	1,900,000	376,466	2,276,466	
2021	1,690,000	452,215	2,142,215	1,200,000	114,398	1,314,398	(1,150,000)	(197,588)	(1,347,588)	1,740,000	369,025	2,109,025	
2022	1,845,000	391,053	2,236,053	505,000	90,398	595,398	(475,000)	(150,813)	(625,813)	1,875,000	330,638	2,205,638	
2023	1,835,000	343,165	2,178,165	495,000	80,045	575,045	(475,000)	(133,000)	(608,000)	1,855,000	290,210	2,145,210	47.96%
2024	1,830,000	294,953	2,124,953	490,000	69,403	559,403	(475,000)	(114,713)	(589,713)	1,845,000	249,643	2,094,643	
2025	1,805,000	246,128	1,751,128	480,000	58,623	538,623	(475,000)	(96,188)	(571,188)	1,510,000	208,563	1,718,563	
2026	1,485,000	203,765	1,688,765	475,000	47,583	522,583	(475,000)	(77,425)	(552,425)	1,485,000	173,923	1,658,923	
2027	1,475,000	160,765	1,635,765	465,000	36,420	501,420	(475,000)	(58,425)	(533,425)	1,465,000	138,760	1,603,760	
2028	1,460,000	115,653	1,575,653	460,000	24,795	484,795	(475,000)	(39,188)	(514,188)	1,445,000	101,260	1,546,260	
2029	1,445,000	70,653	1,515,653	450,000	12,375	462,375	(475,000)	(19,713)	(494,713)	1,420,000	63,315	1,483,315	88.45%
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	-	-	-	-	-	-	205,000	6,253	211,253	100.00%
	\$ 18,965,000	\$ 3,395,396	\$ 22,360,396	\$ 6,075,000	\$ 633,376	\$ 6,708,376	\$ (5,900,000)	\$ (1,121,638)	\$ (7,021,638)	\$ 19,140,000	\$ 2,907,134	\$ 22,047,134	

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) Estimated Interest Rates. Estimated Average Coupon 2.40%.

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)			% All Principal Repaid
	Principal	Interest	TOTAL	
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%
	<u>\$ 3,575,000</u>	<u>\$ 721,353</u>	<u>\$ 4,296,353</u>	

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 Ended June 30	Total General Obligation Debt (1)			% Principal Repaid
	Principal	Interest	TOTAL	
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%
	<u>\$ 1,268,210</u>	<u>\$ 130,003</u>	<u>\$ 1,398,213</u>	

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,

<u>Fund Type</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<i>Governmental Funds:</i>					
General	\$ 3,644,538	\$ 4,057,271	\$4,210,737	\$3,921,835	\$4,157,651
Highway/Public Works	1,674,039	1,616,233	1,300,944	1,373,949	865,895
General Debt Service	3,253,063	2,732,543	2,249,369	1,792,344	1,481,381
Other Governmental	<u>2,484,932</u>	<u>1,808,691</u>	<u>1,151,824</u>	<u>1,193,960</u>	<u>1,243,600</u>
TOTAL	<u>\$11,056,572</u>	<u>\$10,214,738</u>	<u>\$8,912,874</u>	<u>\$8,282,088</u>	<u>\$7,748,527</u>

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

[balance of page has been left blank]

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Revenues:					
Local Taxes	\$ 5,043,234	\$ 5,179,533	\$ 5,376,247	\$ 5,372,567	\$ 5,526,045
Licenses and Permits	950	950	1,045	1,330	1,235
Fines, forfeitures and penalties	385,760	460,740	461,063	435,098	462,429
Charges for current services	79,715	67,411	93,296	75,570	74,720
Other local revenue	238,279	350,554	468,933	216,912	241,856
Fees Rec'v from County Officials	776,537	638,891	930,137	408,827	511,093
State of Tennessee	1,966,352	1,581,000	1,536,379	1,745,614	1,615,672
Federal Government	258,413	264,960	125,793	662,644	154,493
Other Governments & Citizens Groups	652,264	421,230	387,984	325,418	556,645
Total Revenues	\$ 9,401,504	\$ 8,965,269	\$ 9,380,877	\$ 9,243,980	\$ 9,144,188
Expenditures:					
General government	\$ 1,705,607	\$ 1,743,672	\$ 2,199,212	\$ 2,061,339	\$ 1,398,202
Finance	576,882	600,420	602,960	598,093	641,371
Administration of Justice	421,049	488,816	490,390	524,571	560,560
Public Safety	4,714,029	4,964,223	5,294,702	5,332,575	5,114,874
Public Health & Welfare	154,215	108,996	134,302	114,911	143,427
Social, Cultrual & Recreational Services	85,652	113,537	89,468	86,853	73,155
Agricultural & Natural Resources	103,039	102,280	109,896	94,609	89,777
Other Operations	659,420	575,505	647,266	737,192	851,170
Highways	-	-	-	-	-
Debt Service	75,200	73,250	76,300	74,279	72,100
Capital Projects	-	-	-	-	-
Total Expenditures	\$ 8,495,093	\$ 8,770,699	\$ 9,644,496	\$ 9,624,422	\$ 8,944,636
Excess (Deficiency) of Revenues Over Expenditures	\$ 906,411	\$ 194,570	\$ (263,619)	\$ (380,442)	\$ 199,552
Other Sources (Uses):					
Note/Lease Proceeds	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance Recovery	12,408	218,163	7,085	91,540	36,264
Sale of Assets	-	-	-	-	-
Operating Transfers - In	-	-	410,000	-	-
Operating Transfers - Out	-	-	-	-	-
Total Other Sources (Uses)	\$ 12,408	\$ 218,163	\$ 417,085	\$ 91,540	\$ 36,264
Net Change in Fund Balance	\$ 918,819	\$ 412,733	\$ 153,466	\$ (288,902)	\$ 235,816
Fund Balance July 1	2,725,719	3,644,538	4,057,271	4,210,737	3,921,835
Residual Equity Transfers	-	-	-	-	-
Fund Balance June 30	\$ 3,644,538	\$ 4,057,271	\$ 4,210,737	\$ 3,921,835	\$ 4,157,651

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 1 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 on-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.

[balance of page left blank]

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 2017¹.

<u>Class</u>	<u>Estimated Assessed Valuation</u>	<u>Assessment Rate</u>	<u>Estimated Appraised Value</u>
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	<u>290,568,925</u>	25%	<u>1,162,275,700</u>
TOTAL	<u>\$432,225,831</u>		<u>\$1,542,546,596</u>

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 2014 through 2018 as well as the aggregate uncollected balances as of June 30, 2018 for each fiscal year ending June 30.

PROPERTY TAX RATES AND COLLECTIONS							
Tax Year¹	Assessed Valuation	Tax Rates	Taxes Levied	Fiscal Year Collections		Aggregate Uncollected Balance As of June 30, 2018	
				Amount	Pct	Amount	Pct
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%	N/A	
2017	432,225,831	2.2832	9,875,797	9,526,658	96.5%	\$349,139	3.5%
2018	421,693,921	2.2832	9,628,273	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, 2018 (tax year 2017), the ten largest taxpayers in the County are as follows:

<u>Taxpayer</u>	<u>Business Type</u>	<u>Assessment</u>	<u>Taxes Levied</u>
1. Autozone, Inc.	Automotive Parts	\$ 5,153,383	\$117,662
2. Leroy Somer	Electric Motors	4,674,816	106,735
3. Walmart Real Estate	Retail Center	4,348,970	99,297
4. Volvo-Penta Marine	Outboard Marine Motors	3,847,699	87,851
5. Adiante US / Johnson Controls	Automotive	3,600,958	82,219
6. Columbus – McKinnon	Chains	2,920,930	66,691
7. AT&T Mobility	Telecommunications	2,874,993	65,642
8. Young Touchstone	Radiators	2,789,601	63,692
9. NCI Building Systems	Pre-Engineered Bldgs	2,107,217	48,111
10. CHS Community Health	Hospital	<u>2,022,198</u>	<u>46,171</u>
TOTAL		<u>\$34,340,765</u>	<u>\$784,071</u>

Source: the County.

LOCAL OPTION SALES TAX

For the Fiscal Year Ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Rate (% of retail sales)	2.75%	2.75%	2.75%	2.75%	2.75%
<i>Distribution:</i>					
General Fund	\$ 86,198	\$ 71,297	\$ 65,000	\$ 63,750	\$ 81,701
Education Fund	2,710,467	2,728,215	2,976,969	3,395,973	3,529,922
Cities Portion of County Sales Tax	3,179,262	3,319,229	3,371,195	3,474,325	3,553,678
City School System's Portion	708,851	740,464	696,330	672,768	708,956
Rural Debt Service	<u>719,726</u>	<u>552,110</u>	<u>275,290</u>	<u>125,508</u>	<u>161,018</u>
Total Amount Collected	<u>\$7,404,504</u>	<u>\$7,411,315</u>	<u>\$7,384,784</u>	<u>\$7,732,324</u>	<u>\$8,035,275</u>

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.

[balance of page has been left blank]

GENERAL PURPOSE FINANCIAL STATEMENTS

HENDERSON COUNTY, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2018

The General Purpose Financial Statements are extracted from the Financial Statements with Report of Certified Public Accountants of Henderson County for the fiscal year ended June 30, 2018 which is available upon request from the County.

ANNUAL FINANCIAL REPORT
HENDERSON COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2018



DIVISION OF LOCAL GOVERNMENT AUDIT



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

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

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

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

**AMANDA MARCH, CPA, CFE
Senior Auditor**

**MELISSA DARBY, CPA, CFE
KRYSTEN DAVENPORT
TWYLA PRATT
State Auditors**

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

HENDERSON COUNTY, TENNESSEE TABLE OF CONTENTS

	Exhibit	Page(s)
Summary of Audit Findings		6
<u>INTRODUCTORY SECTION</u>		7
Henderson County Officials		8
<u>FINANCIAL SECTION</u>		9
Independent Auditor's Report		10-13
BASIC FINANCIAL STATEMENTS:		14
Government-wide Financial Statements:		
Statement of Net Position	A	15-16
Statement of Activities	B	17-18
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	19-20
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	C-2	21
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	22-23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	24
Statements of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Fund	C-5	25-26
Highway/Public Works Fund	C-6	27
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	D	28
Index and Notes to the Financial Statements		29-84
REQUIRED SUPPLEMENTARY INFORMATION:		

Summary of Audit Findings

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

Scope

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

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICE OF FINANCE DIRECTOR

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

OFFICE OF ASSESSOR OF PROPERTY

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

INTRODUCTORY SECTION

Henderson County Officials
June 30, 2018

Officials

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

Board of County Commissioners

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

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

Board of Education

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

Financial Management Committee

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

Audit Committee

Tommy Page, Chairman
Aaron Wood
Dennis Ray McDaniel

FINANCIAL SECTION



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henderson County, Tennessee, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henderson County, Tennessee, as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparisons for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note V.B., Henderson County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the schedule of changes in the county's net pension asset and related ratios, schedules of county and school contributions, schedules of school's proportionate share of the net pension assets, and schedules of county and school changes in the total OPEB liability and related ratios - other postemployment benefits plans on pages 86-97 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining

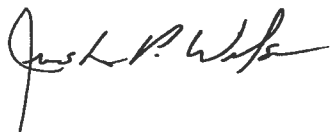
and individual fund financial statements of the Henderson County School Department (a discretely presented component unit), schedule of expenditures of federal awards, and miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting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

The introductory section and management's corrective action plans have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2019, on our consideration of Henderson County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Henderson County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Henderson County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 6, 2019

JPW/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

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

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

(Continued)

Exhibit A

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

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

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

Exhibit B

Henderson County, Tennessee
 Statement of Activities
 For the Year Ended June 30, 2018

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

(Continued)

Exhibit B

Henderson County, Tennessee
Statement of Activities (Cont.)

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

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

Henderson County, Tennessee
 Balance Sheet
Governmental Funds
 June 30, 2018

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other	Governmental Funds	
\$	0	0	0	0	175,030	\$ 175,030
Cash	3,875,848	654,957	1,471,206	1,005,286	7,007,297	7,007,297
Equity in Pooled Cash and Investments	36,422	31	8,469	56,899	101,821	101,821
Accounts Receivable	396,155	413,134	0	12,983	822,272	822,272
Due from Other Governments	370	0	0	0	370	370
Due from Other Funds	4,671,172	246,087	922,601	469,802	6,309,662	6,309,662
Property Taxes Receivable	(62,187)	(3,276)	(12,282)	(6,254)	(83,999)	(83,999)
Allowance for Uncollectible Property Taxes	1,669	0	0	0	1,669	1,669
Cash Shortage						
Total Assets	\$ 8,919,449	\$ 1,310,933	\$ 2,389,994	\$ 1,713,746	\$ 14,334,122	\$ 14,334,122

ASSETS

Cash
 Equity in Pooled Cash and Investments
 Accounts Receivable
 Due from Other Governments
 Due from Other Funds
 Property Taxes Receivable
 Allowance for Uncollectible Property Taxes
 Cash Shortage

Total Assets

LIABILITIES

Payroll Deductions Payable
 Due to Other Funds
 Due to Component Units
 Due to State of Tennessee
 Total Liabilities

\$	120	61	0	0	0	\$ 181
	0	0	0	370	0	370
	12,790	0	0	0	0	12,790
	14	0	0	0	0	14
\$	12,924	61	0	370	0	\$ 13,355

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes
 Deferred Delinquent Property Taxes
 Other Deferred/Unavailable Revenue
 Total Deferred Inflows of Resources

\$	4,481,199	236,079	885,080	450,696	6,053,054
	119,147	6,277	23,533	11,983	160,940
	148,528	202,631	0	7,097	358,246
\$	4,748,874	444,977	908,613	469,776	6,572,240

(Continued)

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

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

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

Exhibit C-2

Henderson County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2018

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$ 7,748,527
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 2,527,826	
Add: buildings and improvements net of accumulated depreciation	12,724,598	
Add: infrastructure net of accumulated depreciation	2,633,267	
Add: other capital assets net of accumulated depreciation	<u>1,824,190</u>	19,709,881
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: other loan payable	\$ (1,268,210)	
Add: debt to be contributed by the School Department	1,268,210	
Less: bonds payable	(20,230,000)	
Less: capital leases payable	(192,052)	
Add: deferred amount on refunding	245,369	
Add: deferred charges - discount on debt issued	2,360	
Less: compensated absences payable	(186,175)	
Less: landfill closure/postclosure care costs	(80,242)	
Less: net OPEB liability	(189,405)	
Less: accrued interest payable	(152,100)	
Less: other deferred revenue - premium on debt	(239,277)	
Less: net pension liability - Henderson County Judges, Officials, and Executives Agent Plan	<u>(190,777)</u>	(21,212,299)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be amortized and recognized as components of pension and OPEB expense in future years.		
Add: deferred outflows of resources related to pensions	\$ 562,386	
Less: deferred inflows of resources related to pensions	(322,342)	
Add: deferred outflows of resources related to OPEB	1,930	
Less: deferred inflows of resources related to OPEB	<u>(10,624)</u>	231,350
(4) Net pension assets of the agent plan are not current financial resources and therefore are not reported in the governmental funds.		
Add: net pension asset - Henderson County Employees Agent Plan		1,589,491
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>519,186</u>
Net position of governmental activities (Exhibit A)		<u>\$ 8,586,136</u>

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

Henderson County, Tennessee
 Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2018

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

(Continued)

Exhibit C-3

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

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

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

Exhibit C-4

Henderson County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ (533,561)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciations is itemized as follows:		
Add: capital assets purchased in the current period	\$ 1,269,992	
Less: current-year depreciation expense	<u>(1,284,813)</u>	(14,821)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.		
Add: gain on disposal of capital assets	\$ 6,464	
Less: proceeds received from disposal of capital assets	<u>(99,000)</u>	(92,536)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2018	\$ 519,186	
Less: deferred delinquent property taxes and other deferred June 30, 2017	<u>(573,225)</u>	(54,039)
(4) The issuance of long-term debt (e.g., bonds, notes, leases and other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Less: capital lease proceeds	\$ (271,918)	
Add: change in premium on debt issuances	25,094	
Less: change in discount on debt issued	(873)	
Less: change in deferred amount on refunding debt	(191,192)	
Add: principal payments on bonds	1,945,000	
Add: principal payments on note	70,000	
Add: principal payments on capital leases	79,866	
Add: principal payments on other loan	84,876	
Less: contributions from the School Department for the other loan	<u>(84,876)</u>	1,655,977
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ 15,406	
Change in landfill closure/postclosure care costs	2,441	
Change in compensated absences payable	(50,693)	
Change in net OPEB liability (net of restatement)	(14,118)	
Change in deferred outflows related to OPEB	1,930	
Change in deferred inflows related to OPEB	(10,624)	
Change in net pension asset - Henderson County Employees Agent Plan	229,106	
Change in net pension liability - Henderson County Judges, Officials, and Executives Agent Plan	192,080	
Change in deferred outflows related to pensions	(94,555)	
Change in deferred inflows related to pensions	<u>(85,942)</u>	185,031
Change in net position of governmental activities (Exhibit B)		<u>\$ 1,146,051</u>

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

Exhibit C-5

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

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

(Continued)

Exhibit C-5

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

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

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

Exhibit C-6

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

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

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

Exhibit D

Henderson County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2018

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

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

HENDERSON COUNTY, TENNESSEE
Index of Notes to the Financial Statements

Note	Page(s)
I. Summary of Significant Accounting Policies	
A. Reporting Entity	30
B. Government-wide and Fund Financial Statements	31
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	32
D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance	
1. Deposits and Investments	34
2. Receivables and Payables	34
3. Capital Assets	35
4. Deferred Outflows/Inflows of Resources	36
5. Compensated Absences	36
6. Long-term Obligations	37
7. Net Position and Fund Balance	37
8. Restatements	39
E. Pension Plans	39
F. Other Postemployment Benefit (OPEB) Plans	40
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	40
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	41
III. Stewardship, Compliance, and Accountability	
A. Budgetary Information	41
B. Cash Shortage - Prior Year	42
C. Cash Overdraft	42
D. Expenditures Exceeded Appropriations	42
E. The Finance Director Failed to Comply with State Statutes when Issuing Debt	42
F. Investigations	42
IV. Detailed Notes on All Funds	
A. Deposits and Investments	43
B. Capital Assets	44
C. Interfund Receivables, Payables, and Transfers	46
D. Capital Leases	47
E. Long-term Obligations	48
F. On-Behalf Payments	52
V. Other Information	
A. Risk Management	52
B. Accounting Changes	53
C. Contingent Liabilities	53
D. Landfill Closure/Postclosure Care Costs	54
E. Joint Ventures	54
F. Retirement Commitments	
1. Tennessee Consolidated Retirement System (TCRS)	55
2. Deferred Compensation	74
G. Other Postemployment Benefits (OPEB)	74
H. Office of Central Accounting, Budgeting, and Purchasing	83
I. Purchasing Law	83
J. Subsequent Events	84

HENDERSON COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

The Henderson County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of

the School Department are included in this report as listed in the table of contents. Complete financial statements of the Henderson County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

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

B. Government-wide and Fund Financial Statements

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

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

Henderson County issues all debt for the discretely presented Henderson County School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2018.

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

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

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

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

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

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

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

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

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

Henderson County reports the following major governmental funds:

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

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

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

Additionally, Henderson County reports the following fund type:

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

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

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

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

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

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

1. **Deposits and Investments**

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

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

2. **Receivables and Payables**

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to .69 percent of total taxes levied.

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

estimated allowance for uncollectible taxes, is reported as a deferred inflow of resources as of June 30.

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

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

3. Capital Assets

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

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

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

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

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

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

4. Deferred Outflows/Inflows of Resources

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

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

5. Compensated Absences

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

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

6. Long-term Obligations

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

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

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

7. Net Position and Fund Balance

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

- a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors,

grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

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

As of June 30, 2018, Henderson County had \$8,033,810 in outstanding debt for capital purposes for the discretely presented Henderson County School Department. In accordance with state statutes, certain county school debt proceeds must be shared with other public school systems in the county (City of Lexington School System) based on an average daily attendance proration. This debt is a liability of Henderson County, but the capital assets acquired are reported in the financial statements of the School Department and the City of Lexington School System. Therefore, Henderson County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

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

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

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

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

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

decision-making authority, and shall remain binding unless removed in the same manner.

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

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

8. **Restatements**

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

E. **Pension Plans**

Primary Government

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

Discretely Presented Henderson County School Department

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

F. Other Postemployment Benefit (OPEB) Plans

Primary Government

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

Discretely Presented Henderson County School Department

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Henderson County School Department

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

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

Primary Government

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

Discretely Presented Henderson County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

B. Cash Shortage – Prior Year

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

C. Cash Overdraft

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

D. Expenditures Exceeded Appropriations

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

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

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

F. Investigation

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

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase

agreements. Repurchase agreements must be approved by the state Comptroller's Office and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the fair value of the securities on the day of purchase.

The county had no pooled and nonpooled investments as of June 30, 2018.

B. Capital Assets

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

Primary Government

Governmental Activities:

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

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

Governmental Activities:

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

Discretely Presented Henderson County School Department

Governmental Activities:

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

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

Governmental Activities:

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

C. Interfund Receivables, Payables, and Transfers

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

Due to/from Other Funds:

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

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

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

Due to/from Primary Government and Component Unit:

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

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

Interfund Transfers:

Interfund transfers for the year ended June 30, 2018, consisted of the following amount:

Discretely Presented Henderson County School Department

Transfer Out	<u>Transfer In</u> General Purpose School Fund	Purpose
Nonmajor governmental fund	\$ 7,070	Indirect costs
Total	\$ 7,070	

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

D. Capital Leases

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

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

The assets acquired through capital leases are as follows:

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

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

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

E. Long-term Obligations

Primary Government

General Obligation Bonds and Other Loan

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

General obligation bonds and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, and the other loan outstanding were issued for original terms of up to 20 years for bonds and 21 years for the other loan. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and the other loan included in long-term debt as of June 30, 2018, will be retired from the General Debt Service and Rural Debt Service funds.

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

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

In prior years, Henderson County entered into an agreement with the State of Tennessee to receive funding from the state revolving loan fund program.

Under this agreement, the program loaned \$1,800,582 to the Henderson County School Department for wastewater facility improvements at four elementary schools. The loan is repayable at a 1.38 percent interest rate. In addition, the county pays an administrative fee in connection with this loan.

The annual requirements to amortize all general obligation bonds and the other loan outstanding as of June 30, 2018, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2019	\$ 2,110,000	\$ 608,398	\$ 2,718,398
2020	2,095,000	543,674	2,638,674
2021	1,835,000	477,573	2,312,573
2022	1,995,000	413,586	2,408,586
2023	1,990,000	362,112	2,352,112
2024-2028	8,580,000	1,040,154	9,620,154
2029	1,625,000	54,988	1,679,988
Total	<u>\$ 20,230,000</u>	<u>\$ 3,500,485</u>	<u>\$ 23,730,485</u>

Year Ending June 30	Other Loan			Total
	Principal	Interest	Other Fees	
2019	\$ 86,064	\$ 16,956	\$ 1,020	\$ 104,040
2020	87,252	15,768	948	103,968
2021	88,464	14,556	876	103,896
2022	89,700	13,320	804	103,824
2023	90,948	12,072	732	103,752
2024-2028	474,012	41,088	2,556	517,656
2029-2032	351,770	8,691	616	361,077
Total	<u>\$ 1,268,210</u>	<u>\$ 122,451</u>	<u>\$ 7,552</u>	<u>\$ 1,398,213</u>

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

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

Description of Indebtedness	Outstanding 6-30-18
<u>Other Loan</u>	
<u>Contributions from the General Purpose School Fund</u>	
Clean Water State Revolving Fund	\$ 1,268,210

Changes in Long-term Obligations

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

Governmental Activities:

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

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

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

*Restated Balance – See Note I.D.8.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

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

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

Discretely Presented Henderson County School Department

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Henderson County School Department for the year ended June 30, 2018, was as follows:

Governmental Activities:

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

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

Analysis of Noncurrent Liabilities Presented on Exhibit A:

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

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

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Henderson County School Department. These payments are made by the state to the Local Education Group Insurance. This plan is administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan for the year ended June 30, 2018, were \$71,028. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. **OTHER INFORMATION**

A. **Risk Management**

Liability, Property, Casualty, and Workers' Compensation Insurance

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

Employee Health Insurance

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

The discretely presented Henderson County School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, *TCA*, all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state

does not retain any risk for losses by this fund. Section 8-27-303, *TCA*, provides for the LEGIF to be self-sustaining through member premiums.

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; Statement No. 81, *Irrevocable Split-Interest Agreements*; Statement No. 85, *Omnibus 2017*; and Statement No. 86, *Certain Debt Extinguishment Issues* became effective for the year ended June 30, 2018.

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

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

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

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

C. Contingent Liabilities

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

D. Landfill Closure/Postclosure Care Costs

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

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

E. Joint Ventures

The Beech River Regional Airport was established through a joint operations agreement between Decatur County, Henderson County, the City of Parsons, and the City of Lexington. The agreement created the Beech River Regional Airport Board to plan, develop, and maintain a regional airport that will economically benefit all residents of the two-county area. The board comprises nine members, two from each governmental unit and one appointed by the governmental entities on a one-year rotation basis. Each participant retains a 25 percent ownership in the airport; however, participants do not retain an equity interest in the airport. Henderson County made no contributions to the airport for the year ended June 30, 2018.

The Everett Horn Public Library is a joint venture between Henderson County and the City of Lexington. It is operated by an appointed seven-member board. The library is jointly funded by the county and the City of Lexington with additional revenues received from private contributions. During the year ended June 30, 2018, the county contributed \$37,148 to the library.

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

Administrative Offices:

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

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

F. Retirement Commitments

1. Tennessee Consolidated Retirement System (TCRS)

Primary Government

General Information About the Pension Plan

Plan Description. Most employees of Henderson County and the non-certified employees of the discretely presented Henderson County School Department are provided a defined benefit pension plan (Henderson County Plan) through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprised 57.66 percent and the non-certified employees of the discretely presented School Department comprised 42.34 percent of the plan based on contribution data. In addition, certain other county employees are provided a defined benefit pension plan (Henderson County Judges, Officials, and Executives Plan) through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 100 percent of the Henderson County Judges, Officials, and Executives Plan based on contribution data. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available to vested members at age 55. Members vest with five years

of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria.

Member and beneficiary annuitants of the Henderson County Judges, Officials, and Executives Plan are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions plus any accumulated interest.

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

Henderson County Plan:

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

Henderson County Judges, Officials, and Executives Plan:

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

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. Henderson County makes employer contributions at the rate

set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2018, the employer contribution for the Henderson County Plan was \$281,049 based on a rate of 3.14 percent of covered payroll. For the year ended June 30, 2018, the employer contribution for the Henderson County Judges, Officials, and Executives Plan was \$74,051 based on a rate of 8.37 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Henderson County's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contributions (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Henderson County's net pension liability (asset) was measured as of June 30, 2017, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability as of the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016, actuarial experience study. A blend of future capital market projections and historic market returns was used in a building-block method in which a best-estimate of expected future real rates of

return (expected returns, net of pension plan investments expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity Developed Market	5.69 %	31 %
International Equity Emerging Market	5.29	14
International Equity Private Equity and Strategic Lending	6.36	4
U.S. Fixed Income	5.79	20
Real Estate	2.01	20
Short-term Securities	4.32	10
	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the factors described above.

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

Discount Rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from Henderson County will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state

statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

Henderson County Plan:

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

Henderson County Judges, Officials, and Executives Plan:

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

Henderson County Plan:

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

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

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of Henderson County calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it were

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

	1% Decrease	Current Discount Rate	1% Increase
<u>Henderson County Plan</u>	<u>6.25%</u>	<u>7.25%</u>	<u>8.25%</u>

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

	1% Decrease	Current Discount Rate	1% Increase
<u>Judges, Officials, Exec.</u>	<u>6.25%</u>	<u>7.25%</u>	<u>8.25%</u>

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

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

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

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

Henderson County Plan:

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

Henderson County Judges, Officials, and Executives Plan:

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

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

Henderson County Plan:

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

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

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

Henderson County Plan:

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

Henderson County Judges, Officials, and Executives Plan:

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

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

Discretely Presented Henderson County School Department

Non-certified Employees

General Information About the Pension Plan

Plan Description. As noted above under the primary government, most employees of Henderson County and the non-certified employees of the discretely presented Henderson County School Department are provided a defined benefit pension plan (Henderson County Plan) through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprised 57.66 percent and the non-certified employees of the discretely presented School Department comprised 42.34 percent of the plan based on contribution data. In addition, certain other county employees are provided a defined benefit pension plan (Henderson County Judges, Officials, and Executives Plan) through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 100 percent of the Henderson County Judges, Officials, and Executives Plan based on contribution data.

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

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

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members are eligible to retire with an unreduced benefit at age 65 with five years of service credit or pursuant to the rule of 90 in which the

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

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers are required to contribute five percent of their salary to the plan. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2018, to the Teacher Retirement Plan were \$82,572, which is four percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension Liabilities (Assets). At June 30, 2018, the School Department reported a liability (asset) of (\$67,354) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2017, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The School Department's proportion of the net pension liability (asset) was based on the School Department's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2017, the School Department's proportion was .255287 percent. The proportion as of June 30, 2016, was .244964 percent.

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

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

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

The School Department's employer contributions of \$82,572, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension asset in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2019	\$ (359)
2020	(359)
2021	(567)
2022	(1,499)
2023	210
Thereafter	1,925

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

Actuarial Assumptions. The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016, actuarial experience study. A blend of future capital market projections and historic market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS

investment policy target asset allocation for each major class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity Developed Market	5.69 %	31 %
International Equity Emerging Market	5.29	14
International Equity Private Equity and Strategic Lending	6.36	4
U.S. Fixed Income	5.79	20
Real Estate	2.01	20
Short-term Securities	4.32	10
	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the factors described above.

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

Discount Rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what the School Department's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	\$ 13,438	\$ (67,354)	\$ (126,615)

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

Teacher Legacy Pension Plan

General Information About the Pension Plan

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

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by

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

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers are required to contribute five percent of their salaries. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Henderson County School Department for the year ended June 30, 2018, to the Teacher Legacy Pension Plan were \$1,301,954, which is 9.08 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension Liability (Assets). At June 30, 2018, the School Department reported a liability (asset) of (\$135,025) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was

measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The School Department's proportion of the net pension liability (asset) was based on the School Department's long-term share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2017, the School Department's proportion was .412689 percent. The proportion measured at June 30, 2016, was .398055 percent.

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

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

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

The School Department's employer contributions of \$1,301,954 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a decrease in net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2019	\$ (868,104)
2020	513,228
2021	(249,908)
2022	(621,916)
2023	0
Thereafter	0

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

Actuarial Assumptions. The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016, actuarial experience study. A blend of future capital market projections and historic market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS

investment policy target asset allocation for each major class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return		Percentage Target Allocations	
U.S. Equity	5.69	%	31	%
Developed Market				
International Equity	5.29		14	
Emerging Market				
International Equity	6.36		4	
Private Equity and				
Strategic Lending	5.79		20	
U.S. Fixed Income	2.01		20	
Real Estate	4.32		10	
Short-term Securities	0.00		1	
			100	%
Total			100	%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the factors described above.

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

Discount Rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what the School Department's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

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

Net Pension Liability	\$ 12,115,597	\$ (135,025)	\$ (10,260,971)
-----------------------	---------------	--------------	-----------------

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

2. Deferred Compensation

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

G Other Postemployment Benefits (OPEB)

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

OPEB Provided through State Administered Public Entity Risk Pools

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

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

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

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

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

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

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

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

Closed Local Government OPEB Plan (Primary Government)

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

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

Employees Covered by Benefit Terms

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

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

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

Changes in the Total OPEB Liability

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Employees Covered by Benefit Terms

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

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

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

Changes in the Collective Total OPEB Liability

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

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

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

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

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

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

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

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

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

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

Proportionate Share of the Collective Total OPEB Liability	\$ 2,810,900	\$ 2,619,757	\$ 2,436,890
--	--------------	--------------	--------------

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

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

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

H. Office of Central Accounting, Budgeting, and Purchasing

Office of Director of Finance

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

I. Purchasing Law

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

J. Subsequent Events

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

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

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

Copies of the complete financial statements of the County for the current Fiscal Year are available at <https://www.comptroller.tn.gov/office-functions/la/reports/audit-reports.html>.